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Daily Report

China

**FBIS-CHI-95-164
Thursday
24 August 1995**

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Daily Report

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General

Foreign Ministry Holds Regular News Conference

Views Wu Verdict

BK2408094295 Hong Kong AFP in English
0933 GMT 24 Aug 95

[FBIS Transcribed Text] BEIJING, Aug 24 (AFP) — China said Thursday that efforts to improve Sino-US ties would have no bearing on how much of a 15-year sentence US citizen Harry Wu must serve before being expelled from the country.

The implementation of the sentence imposed Thursday on the 58-year-old human rights activist is instead "a decision for the relevant authorities in charge of law enforcement," foreign ministry spokesman Chen Jian told journalists at a weekly news briefing.

He denied suggestions that the decision would rest on negotiations during a three-day visit to China from Thursday by US Under-secretary of State Peter Tarnoff, saying it has "nothing to do with diplomatic talks between China and the United States."

A court in Wuhan found Wu guilty of spying and trading in state secrets, as well as impersonating a "government officer for deceptive activities," and sentenced him to a 15-year jail term but also ordered his expulsion from the country.

Stressing that the court had reached an independent verdict without government interference, Chen also denied that the timing of the move was related to China's hosting of the Fourth World Women's Conference, which is to open here on September 4, preceded by a forum of Non-Governmental Organisations (NGOs).

"I think that there is no relation (with the meeting), because, as you know, Mr. Wu Hongda is a gentleman and the conference is on women," said Chen in response to a question.

"I know that the centre of your concern is the timing (of the implementation Wu's sentence) — and I don't have any further information on that," he said.

China is keen to ensure the attendance at the conference of US First Lady Hillary Clinton, who has been under intense pressure to boycott the event because of Wu's detention.

Chen said China had yet to receive "any information from the US side" on Clinton's attendance, adding that, as the host, Beijing respected individual country's decisions on who to send in their delegations.

The issue is expected to be brought up during Tarnoff's visit, along with the possibility of a summit between

US President Bill Clinton and his Chinese counterpart Jiang Zemin.

Chen said the talks would focus mainly on efforts "on how to continue to remove the serious consequences" for Sino-US ties of Taiwan President Li Teng-hui's visit to the United States in June.

"We hope the forthcoming meetings and talks ... will prove to be a concrete step forward in this direction," he said.

He said a meeting between the Chinese and US foreign ministers in Brunei in early August had been "positive," but urged Washington to translate pledges to uphold the principle of "one China" into actions. China regards Taiwan as a renegade province.

Beijing's fury over Li's visit sparked a sharp downturn in Sino-US relations, which worsened further after the early July arrest of Wu.

Views Sino-U.S. Ties

OW2408092295 Beijing XINHUA in English
0906 GMT 24 Aug 95

["Court Ruling in Harry Wu Case Has No Connection With Sino-US Relations: Spokesman" —XINHUA Headline]

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — Chinese Foreign Ministry spokesman Chen Jian said here today that the court ruling in the case of Harry Wu had nothing to do with Sino-US relations.

Responding to a question concerning the issue at a press conference, Chen said that the relevant local court has already issued its first ruling in the case of Harry Wu.

The spokesman said that the ruling is a judicial act in line with state sovereignty.

Therefore, he said, "The ruling in the Harry Wu case has nothing to do with Sino-US relations."

Views Sino-U.S. Talks

OW2408093495 Beijing XINHUA in English
0928 GMT 24 Aug 95

["China Hopes Sino-US Vice-Ministerial Talks Successful: Spokesman" — XINHUA headline]

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — A Chinese Foreign Ministry spokesman said here today that China hopes the forthcoming meeting and talks between the two country's vice-foreign ministers would be a concrete step forward in creating good atmosphere and conditions for the further development of Sino-US relations.

Speaking at today's press conference, Chen Jian said that according to the agreement reached between the foreign ministers of the two countries in Brunei, US Under-Secretary of State Peter Tarnoff will visit Beijing in August 26-27 and meet with Chinese Vice-Foreign Minister Li Zhaoxing.

The two sides will mainly hold talks on how to continue to remove the serious consequences brought about by Li Teng-hui's visit to the United States, Chen said.

He stressed that China attaches importance to its relations with the United States and holds the view that maintaining and developing a sound and healthy relationship between China and the United States accords with the fundamental interests of the two countries and two peoples; meanwhile, this will also be beneficial to the maintenance of peace and stability in the Asia-Pacific region and the world as a whole.

However, he said, in developing our relations with the United States, we must follow the principles enshrined in the three Sino-US joint communiques with the question of Taiwan as the core of the principles.

He said that the recent meeting between the two foreign ministers in Brunei is positive, and we have taken note of the fact that United States has indicated it would handle its relations with Taiwan in accordance with the principle of "One China."

He said that the top priority at present is that the US side should translate such a pledge into concrete actions and to sincerely return to the track of the principles set forth in the three joint communiques in an effort to create favorable atmosphere and conditions for the further development of Sino-US relations.

ROK Consular Talks 'Sincere'

*OW2408102195 Beijing XINHUA in English
1004 GMT 24 Aug 95*

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — A Chinese Foreign Ministry spokesman said here today that the first Sino-ROK consular talks had been conducted in a "sincere, friendly and frank" atmosphere.

In answering a reporter's question, Chen Jian said the talks were held on August 23 in Beijing.

During the talks, he said, Zhang Hongxi, director of the Consular Bureau of the Chinese Foreign Ministry, and Kang Ung-sik, director-general of the Overseas and Consular Bureau of the Foreign Ministry of the Republic of Korea (ROK), reviewed the development of consular relations between the two countries since the establishment of diplomatic relations, and exchanged views on existing problems in consular contacts.

Chen said the two sides reached common understanding in many issues.

He said that Zhang also discussed such issues as legitimate rights and interest of Chinese nationals residing in the ROK, simplifying procedures of visa application and fishery disputes with his ROK counterpart.

Pakistani Minister To Visit

*OW2408084295 Beijing XINHUA in English
0835 GMT 24 Aug 95*

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — Pakistan Foreign Minister Sardar Asif Ahmad Ali will pay an official visit to China from August 31 to September 1 at the invitation of Chinese Vice-Premier and Foreign Minister Qian Qichen.

This was announced by Chinese Foreign Ministry Spokesman Chen Jian at a press conference here this afternoon.

More on Foreign Ministry News Conference

Views UN Forum Veto Usage

*MS2308110395 London INDEPENDENT in English
23 Aug 95 p 11*

[Report by Teresa Poole: "China Set To Bar Visitors To Women's Conference"]

[FBIS Transcribed Text] Beijing — Concerns that China is exercising an unauthorised power of veto over participation in the UN international women's forum grew yesterday when a government spokesman said that some delegates who are viewed by the Chinese to "threaten the safety" of the conference would be denied visas.

Chen Jian, the Foreign Ministry spokesman, said only a "very small" number of organisations or people would be affected. However, the Chinese stance appears to violate the principles under which China was chosen to host the United Nations conference. Under these, any person accredited by the UN for the official Fourth World Conference on Women, or correctly registered for the parallel Non-Governmental Organisation (NGO) Forum must be given a visa by Beijing.

Yesterday's comments will accentuate the mistrust and confusion which is already overshadowing the meetings. Bureaucratic delays in China's handling of the vast load of paperwork mean that thousands of women planning to attend the NGO Forum, which starts next Wednesday, have still not received their visas. Mr Chen's comments will confirm suspicion that some of the "delays" may be politically motivated.

A few organisations and individuals are experiencing particular difficulties. Two members of the Washington office of Amnesty International have not been given visas yet. Jim O'Dea, the director of the office, said the Chinese embassy had told the two women that "they will have to wait at this point".

The organisation would be making "a strong protest" if the visas did not come through by the end of this week, he added.

Amnesty has said it will challenge China to follow the rules of a UN conference by bringing in publications on human rights, and the autobiography of the detained human-rights activist Harry Wu.

Two German Social Democratic MPs, of whom one has protested against executions in China, have also been refused visas. Other activists reportedly having difficulties with visas include those representing Tibetan women.

Ever since China abruptly shifted the NGO Forum to Huairou, more than 50km outside Beijing, international women's groups have feared the Chinese planned to limit the number of NGO participants, and control the meeting. Mr Chen admitted that there had been delays for visas, but blamed this on the unexpectedly large number of delegates.

The majority of people who do not receive visas in time will be victims of this bureaucratic chaos. But Mr Chen yesterday specified "two categories" of people who would not be permitted visas for the NGO Forum. He described the first as "those the UN has decided not to invite". In fact, the UN only has the power to bar NGO groups from having "observer status" at the official governmental conference but does not exercise any control over attendance at the NGO Forum.

"The other category," Mr Chen said, "is those whose activities are deemed by China as running against the principles and policies of the UN Charter, whose activities actually threaten the safety of this conference." He said he knew of only "three, four or five" groups or people in this category.

Asked if this power of veto was not at odds with China's earlier commitments on providing visas, Mr Chen said: "China is responsible for guaranteeing the smooth and safe proceeding of the conference and also the personal safety of all the attendants of the conference."

UN General Assembly President Interviewed

OW2308150795 Beijing XINHUA in English
1233 GMT 23 Aug 95

[FBIS Transcribed Text] Beijing, August 23 (XINHUA) — Amara Essy, president of the 49th UN General Assembly, said here today that World War II was one of the cruelest wars in human history, and no repeat of it should be allowed.

He said this during an interview with XINHUA, noting that this year marks the 50th anniversary of the ending of the World Anti-Fascist War as well as the 50th anniversary of the founding of the United Nations.

"We should first commemorate all those who sacrificed their lives for peace and freedom, and we also should take this opportunity to meditate on the cause of this war, and on what measures should be taken to prevent mankind from being plunged into such a miserable situation again," he said.

We should also ponder on how to make the United Nations better equipped for present challenges and elements of instability, which pose a serious threat to world peace, he added.

Essy, who is also foreign minister of the Republic of Cote d'Ivoire, said the challenges the UN is faced with are different from those of 50 years ago. These new challenges, he said, include extreme poverty, inequality, disease, environmental problems and internal conflicts.

Therefore, we should try to find ways to make the UN an effective organization, living up to people's expectations, he stressed.

Essy said that China, as a permanent member of the UN, has played a very active and important role in international affairs and won the respect of the world community.

China has long safeguarded the cause of the developing countries and is a reliable friend of the Third World countries, he added.

Essy arrived in Beijing on Sunday at the invitation of the Chinese government.

Japan Refuses Hsu Li-te APEC Summit Entry

OW2408072395 Beijing XINHUA in English
0620 GMT 24 Aug 95

[FBIS Transcribed Text] Tokyo, August 24 (XINHUA) — The Japanese Government has decided not to allow Hsu Li-teh [Hsu Li-te], so-called vice-premier of the Executive Yuan of Taiwan, to an informal summit of the Asia-Pacific Economic Conference (APEC) to be held in Osaka in November.

The government has made it clear that only officials in charge of economic affairs from Taiwan's "cabinet" would be allowed to join the forthcoming summit, TOKYO SHIMBUN reported today.

The newspaper said the government made the decision after taking into consideration the friendly relations between China and Japan.

Under the decision, the Osaka summit will also shut the door to Li Teng-hui, self-styled Taiwan president, who has vainly pressed Japan for an entry visa.

Officials in the Foreign Ministry had stressed earlier it was impossible for both Hsu and Lee to come to Osaka, according to YOMIURI SHIMBUN on August 20.

Japan has insisted it should follow the formula established during the APEC summits held in 1993 in Seattle, U.S.A., and Bogor, Indonesia, in 1994. The two meetings were open only to Taiwan's economic officials.

Some Japanese Government officials had argued that Hsu, who is also director of Taiwan's economic development commission, should be given a chance to appear at the Osaka summit.

But the government thought if he was allowed into the country, speculation would arise that Japan was prepared to withdraw from the established "Seattle and Bogor formula."

United States & Canada

Harry Wu Sentenced to 15 Years in Jail

OW2408022795 Beijing XINHUA in English
0143 GMT 24 Aug 95

[FBIS Transcribed Text] Wuhan, August 24 (XINHUA) — The Wuhan City Intermediate People's Court this morning reached a judgment of the first instance in the case of Wu Hongda (Harry Wu).

The court confirmed that the defendant is guilty of spying, illegally obtaining, buying, and providing state secrets to overseas institutes, organizations, and persons, and of passing himself off as a government worker for deceptive activities.

In accordance with articles of China's Criminal Law, the court decided to sentence Wu Hongda to 15 years in jail and to expel him from China as punishment for his two crimes.

According to China's Criminal Law, the defendant can make an appeal to a higher court within ten days of the judgment of the first instance. If the defendant does not appeal, the judgment will stand as it is.

Further on Sentence

OW2408053595 Beijing XINHUA in English
0459 GMT 24 Aug 95

[FBIS Transcribed Text] Wuhan, August 24 (XINHUA) — The Wuhan City Intermediate People's Court this morning reached a judgment of the first instance in the case of Wu Hongda (Harry Wu). The court found the defendant guilty of spying, and illegally obtaining and providing state secrets to overseas institutes, organizations, and persons, and passing himself off as a government worker for deceptive activities.

In accordance with articles of China's Criminal Law, the court sentenced Wu Hongda to 15 years' imprisonment and to be expelled from China.

The court notified Wu that if he does not agree with the court's decision, he may make an appeal to the Hubei Provincial Higher People's Court within ten days of the judgment of the first instance and that if he shows no desire to appeal, the judgment will stand as it is.

Wu Hongda, a native of Wuxi City, Jiangsu Province, left Wuhan in 1985 to visit relatives in the United States, later obtaining American citizenship. Using an assumed name he sneaked into China a number of times to illegally obtain state secrets and engage in criminal activities.

On June 19 of this year, he was stopped by police at a frontier inspection post while sneaking into China again.

On June 30, the Wuhan City Public Security Bureau decided to place Wu's residence under surveillance, and, with the approval of the Wuhan City People's Procuratorate, the Wuhan City Public Security Bureau arrested him on July 8, in accordance with the law.

After investigating the matter, the Wuhan City Public Security Bureau submitted the case on August 6 to the Wuhan City People's Procuratorate. In accordance with Article Three of China's Criminal Law and Article 100 of China's Criminal Procedure Law, on August 12, the procuratorate initiated proceedings against Wu in the Wuhan City Intermediate Court.

According to an official with the Wuhan City Intermediate Court, it formed a panel, which, on August 23, held a closed-door session to hear Wu's case.

The hearings ascertained that, from 1991 to 1994, Wu entered China bringing in other persons under the pretext of visiting friends, travelling, and doing business for the purpose of spying and illegally obtaining Chinese state secrets and providing them to overseas institutes and organizations.

Three times, he filmed guard facilities, reform through labor sites, and the layout of a prison in Shanxi Province. Accompanied by a man named Chen, he stole one confidential document from each of two factories in Shanghai.

He signed a contract with a person from Hong Kong named Feng and paid him 4,000 U.S. dollars, for Feng to enter the Chinese mainland to spy on and film guard facilities at prisons. He later entered China together with a woman reporter of a foreign broadcasting corporation using a hidden video camera to take photos of prisons in the Xinjiang Uygur Autonomous Region and to film prison management and the prison's layout.

Accompanied by Chen, he filmed guard facilities and the layout of a prison in Shanghai and provided some of his filmed materials for overseas organizations. Then, in August 1991, wearing a police uniform, he passed himself off as a policeman and sneaked into a prison in Qinghai Province to do more illegal filming.

Based on facts and evidence, the court confirmed that Wu had violated the Supplementary Regulations on Punishing the Crime of Leaking State Secrets promulgated by the Standing Committee of the National People's Congress and Article 166 of the Criminal Law of the People's Republic of China.

Wu was found guilty of illegally obtaining, spying and illegally providing state secrets for overseas organizations, and of passing himself off as a government worker for deceptive activities. The circumstances are very serious and he should be punished according to law.

After considering the facts, evidence as well as his admission of guilt, and his having been used by others, the court reached its judgment.

The chief judge said that Wu confessed to the crime he was accused of by the prosecution initiated by the Wuhan Intermediate People's Procuratorate, based on witnesses' and the court's material evidence, documentary evidence and testimony, and raised no objection.

Wu was defended by two lawyers whom he had entrusted, and at the court, Wu pleaded guilty in his final statement.

According to a court official, Wu had written a "letter of confession" before the court session opened.

Prior to the opening of the trial, it is learned, an official of the Ministry of Foreign Affairs met with an official from the US embassy to China and informed him of when and where the court session would be held, and in accordance with the Sino-U.S. Treaty on consular affairs, an embassy official was permitted to be present at the court session.

Daniel Piccuta, first secretary and consul at the US embassy attended the court session on August 23.

At the request of the US embassy, after Wu Hongda was arrested, two separate visits by US Consul General Arturo S. Macias and Mr. Piccuta were arranged, on July 10 and August 9, according to the stipulations of the Sino-U.S. Treaty on consular affairs.

While in custody, it is learned, according to law, Wu received good humane treatment and timely medical treatment for his leg ailments, and he expressed his thanks for this.

Imprisonment, Deportation Set

OW2408061595 Beijing China Radio International in English to Western North America 0405 GMT 24 Aug 95

[From the "World News" program]

[FBIS Transcribed Text] Chinese American Wu Hongda, or Peter or Harry Wu, has been sentenced to 15 years imprisonment, plus deportation. The sentence was announced Thursday [24 August] by the Wuhan Intermediate People's Court in Hubei Province.

Wu Hongda has been convicted of spying, illegally obtaining and providing China's state secrets to overseas organizations and individuals, and of pretending to be a government employee. The American Embassy official Daniel Piccuta was present at the court hearing.

Column Views U.S. Penal System

HK2408080995 Hong Kong TA KUNG PAO in Chinese 23 Aug 95 p A3

["Political Talk" column by Shih Chun-yu (2457 0689 3768): "U.S. Penal Servitude Returns to 'Slave Age'"]

[FBIS Translated Text] **Regarding People as Livestock**

Beginning this week, a number of prisoners in the State of Alabama will be shackled together and forced to do hard physical work, i.e. breaking rocks to pieces with sledge hammers by the side of highways. In a decision made at the end of last May, a relevant department of this state announced the restoration of "shackled prisoner teams." Fettering prisoners together and taking them outside prison to engage in penal servitude was a practice adopted many years ago and abolished along with the progress in civilization, but it has now been revived in the United States. With Alabama in the south taking the lead, other states have expressed their desire to follow suit.

Reporting this news yesterday, a foreign news agency quoted a prisoner as saying: "Our feet are shackled

together like livestock"; "this is simply like a return to the slave age."

The prisoners are shackled together and taken in formation to public places to do hard labor so that passers-by can see them. This is not only physical suffering, but also mental humiliation.

The Alabama State authorities have intentionally adopted this measure on the grounds that the prisons are so full that cruel torture is resurrected to deter prisoners.

Double Standard of the U.S. Media

Judging from the standard of values of ordinary people, it is indeed barbarous to fetter prisoners together, force them to do hard labor, and publicly humiliate them. However, three months ago, when Alabama decided to resume this cruel torture, the mainstream media in U.S. society kept silent, and many major media organs even failed to report it. In the meantime, they were busy castigating human rights conditions in other countries. This is just like what the Bible says: Noticing only specks in other people's eyes, but not a mote in their own.

A prisoner accepting an interview is quoted as saying: Some people who were sentenced to imprisonment for petty theft or drug abuse have been fettered together with murderers and rapists, subjecting their personal security to severe threat. He also said that people doing penal servitude are likely to meet with accidents, and fetters prevent them from running for their lives.

Alabama officials, however, spoke glibly that with all prisons exceeding their capacity and revenues insufficient to build more prisons, this is the only way to cope with drastically increasing crime. The government also denounced opponents for engaging in empty talk about humanism without suggesting any effective means of solution.

The Total Number of U.S. Prisoners Ranks First

The United States is still by far the No. 1 country in the world with the largest number of prisoners. Prisons in all parts of the country are filled to capacity. What with the large numbers of prisoners and the failure of prison facilities to cope with the situation, they cannot but re-employ methods that had been committed to history books. If we ask ordinary people, it is believed they will call for an active approach to this problem, and try to reduce and halt crime by positive means. However, the issue of crime in the United States is like an incurable illness.

Instead of trying to solve the crime issue in their own society and thinking out ways to improve the penal system and facilities, some people in the United States have incited people like Harry Wu Hongda to try by every possible means to start rumors about and attack the reform-through-labor system in China. True, the incidence of criminal cases in China has increased in recent years, but it is much lower than that in Western countries. The reform-through-labor system is also a humanist policy conducive to transforming physical and mental health.

U.S. Group Attends Xiao Zhenying Meeting

OW2408103495 Beijing XINHUA Domestic Service in Chinese 1237 GMT 23 Aug 95

[By reporter Feng Xiuju (7458 4423 5468)]

[FBIS Translated Text] Beijing, 23 Aug (XINHUA) — On 23 August, Li Ruihuan, chairman of the Chinese People's Political Consultative Conference National Committee, said here that the Chinese people's commemoration of the 50th anniversary of the victory of the war of resistance against Japan is for the purpose of remembering the past and looking into the future.

He made these remarks during a meeting with the U.S. delegation to the "Xiao Zhenying symposium" led by Professor Wang Ji, a well-known scholar.

Li Ruihuan said: To seriously review the history of the war of resistance against Japan is for the purpose of making the people across the country, particularly our descendants, understand the great suffering brought to the Chinese people by that war of aggression started by Japanese imperialism; for the purpose of making them understand the epic, heroic struggle waged by the Chinese people to defend national independence and strive for national liberation; and for the purpose of drawing historical lessons. This is why the Chinese people must be united, develop the economy, and make the country strong; otherwise we will be vulnerable to attack and allow ourselves to be trampled upon.

He emphasized: To review this part of the history is also for the purpose of looking into the future. Past experience, if not forgotten, is a guide for the future. We should take warning from history, sum up historical lessons, join the people of other countries in defending world peace, and never let historical tragedy repeat itself.

Li Ruihuan said: The Chinese people suffered a great deal of imperialists' bullying and aggression for more than 100 years. We know very well the preciousness of national sovereignty and independence. China will not bully or invade others at anytime, and it will always be

devoted to developing friendly relations with the people of other countries. A stable and strong China is always an important force for safeguarding world peace.

Mr. Xiao Zhenying was a well-known Kuomintang general. During the war of resistance against Japan, he persisted in resisting Japanese aggression, loving the country, cherishing the people, sincerely treating the Chinese Communists, and cooperating with them in a friendly manner.

To commemorate the contributions made by Mr. Xiao Zhenying to the war of resistance against Japan, the delegation made a special trip to Baicheng, Jilin, and held a symposium there. It arrived in Beijing on 20 August.

Li Ruihuan answered the visitors' questions concerning Sino-U.S. relations and the Taiwan issue. He hopes that they will continue to make contributions to developing Sino-U.S. relations and to promoting the reunification of the motherland.

Further on Conference

OW2308134495 Beijing XINHUA in English
1259 GMT 23 Aug 95

[FBIS Transcribed Text] Beijing, August 23 (XINHUA) — Li Ruihuan, chairman of the National Committee of the Chinese People's Political Consultative Conference, said here today that the lesson of the Chinese people's commemoration of the victory in the Anti-Japanese War is to never forget the past and attach importance to the future.

He made this remark at a meeting with a delegation from the United States headed by renowned professor Chi Wang, which is here to participate in a seminar on a Kuomintang general who fought the Japanese invaders during the Anti-Japanese War (1937-1945).

Li said that the purpose of reviewing the history of the Anti-Japanese War is to enable the people, especially the younger generation, to gain knowledge of the enormous calamities inflicted by the Japanese invaders and the brave struggle of the Chinese people for the independence of their country and the liberation of the nation.

"It is for us to draw historic lessons, that is, the Chinese people should unite as one, develop our economy and build the country to be even stronger, otherwise we will be vulnerable to attacks," Li stressed.

He said, "We should work with peoples from all countries to safeguard world peace and prevent the historic tragedy from repeating itself.

He said that China will not bully or invade other people at any time, but will, as always, strive to develop friendly relations with peoples around the world. A stable and strong China has always been an important force in maintaining world peace, he noted.

Li also answered questions raised by the guests concerning Sino-U.S. relations, and said he hoped that they would continue to make contributions to developing Sino-U.S. relations and promoting the cause of peaceful reunification of the motherland.

The seminar was on Xiao Zhenying, a leading Kuomintang general, who loved the country and the people, and persisted in fighting the Japanese troops. He engaged in friendly cooperation with the Communist Party of China.

Envoy Urges U.S. To Take 'Practical Actions'

OW2308170795 Beijing ZHONGGUO XINWEN SHE
in English 1344 GMT 23 Aug 95

["China Wants U.S. Attitudes To Materialize Into Actions" — ZHONGGUO XINWEN SHE headline]

[FBIS Transcribed Text] New York, August 22 (CNS) — China regarded the US Government statement of adherence to the "One China" policy as a position step but practical actions are needed, according to Zhou Wenzhong, Charge D'affaires Ad Interim at the Chinese Embassy in the United States.

Zhou pointed out that such actions include: Visits by Taiwan authorities to the US should not be repeated; The Sino-US Joint Communiqué of August 17, 1982 should be taken as setting out the principles dealing with arms sales to Taiwan. Both the quantity and quality of the weapons should not be further enhanced; The US Government should adhere to the principles underlying the three Sino-US Joint Communiqués and only maintain non-official links with Taiwan.

Zhou added that the US Government has often repeated its adherence to the "One China" policy and maintained its opposition to suggestions of "Two Chinas", or "One China, One Taiwan", or Taiwan's return to the United Nations or independence for Taiwan. Similar viewpoints were expressed by President Clinton in a letter to President Jiang Zemin. China treats US statements with regard but practical US actions are more important.

A few days ago, Zhou said that he has come to know a number of US congressmen since his arrival in Washington on official business. In meetings with these congressmen, Zhou found that many of them had only a superficial knowledge of the Taiwan issue and were being misled by the one-sided propaganda of Taiwan.

They learned more about both the standpoints and feelings of the Chinese Government and people through meetings with him (Zhou). In order to improve their knowledge of China, some congressmen were prepared to visit the country.

According to Zhou, China and the US have a great deal in common. At present, the US side has expressed its intention of improving Sino-US relations; China is similarly intentioned.

However, certain problems needed to be resolved by the two countries and these will be discussed at a forthcoming meeting between the vice foreign ministers of the two countries. This is a move to improve Sino-US relations, Zhou revealed.

Li Daoyu, who is still the Chinese Ambassador extraordinary and plenipotentiary to the US, will return to the US but the date of his return has yet to be decided, Zhou added.

Central Eurasia

Trade Group Visits Ukraine, Belarus, Russia

OW1808024695 Beijing XINHUA in English
0212 GMT 18 Aug 95

[FBIS Transcribed Text] Moscow, August 17 (XINHUA) — As a follow-up to the visit of Ukraine, Belarus and Russia by Chinese Premier Li Peng in June, a Chinese economic and trade delegation toured the three nations from August 5 to 17 aimed at expanding bilateral trade.

The delegation, headed by Vice Minister of Foreign Trade and Economic Cooperation Sun Zhenyu, comprised leaders from nine large Chinese enterprises.

During the visit, the delegation held talks with economic officials and entrepreneurs of the three nations and they agreed to promote the establishment of long-term and stable links between their large enterprises in accordance with international trade practices.

Meanwhile, talks were held on further improving the system of payment and strengthening cooperation in transportation and other areas.

Contracts or letters of intent were signed on cooperation in the chemical fertilizer, plastics, synthetic rubber and textile industries.

During the visit, the delegation toured several factories and corporations.

Chi Haotian, Russian Official View Border Issues

OW2408104795 Beijing XINHUA in English
1032 GMT 24 Aug 95

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — Chinese State Councillor and National Defense Minister Chi Haotian met here today with Andrey Nikolayev, commander of the Russian Border Guard Troops.

During the meeting, Chi said that Chinese army and Russian border guard troops share the responsibility to contribute to the good-neighborly relations between the two countries.

Chi said that maintaining and developing the Sino-Russian good-neighborliness is of major importance to the peace and stability in the Asia-Pacific region and even in the world as a whole.

Chi also expressed his satisfaction with the result of the talks between Nikolayev and Qian Shugen, deputy chief of the General Staff of the People's Liberation Army (PLA).

Nikolayev said that Russia and China share a long boundary line, and a peaceful, friendly and tranquil border area, which leaders of the two countries proposed to build, is very important to the growth of bilateral relations.

Nikolayev, who is on his third China visit, arrived here Tuesday [22 August] at the invitation of the Headquarters of the PLA General Staff.

During his stay in Beijing, Nikolayev and his Chinese counterpart signed a cooperative agreement on border. The Russian guest was also received respectively by Chinese Public Security Minister Tao Siju and Zhang Wannian, chief of the PLA general staff.

Northeast Asia

Murayama's Apology 'Discredited' by Shrine Visit

HK2408010095 Hong Kong TA KUNG PAO
in Chinese 16 Aug 95 p A2

[Editorial: "Japanese Prime Minister Murayama's Statement of Apology"]

[FBIS Translated Text] Yesterday, 15 August, was the 50th anniversary of Japan's surrender. Japanese Prime Minister Tomiichi Murayama held a press conference at his official residence at which he once again expressed profound reflection and offered his heartfelt apology [shen ke fan xing he you zhong di qian yi 3234 0466 0646 4164 0735 3945 5907 4104 2959 1942] for the road to war Japan embarked on in the past and the

tremendous damage and suffering [ju da di sun hai he tong ku 1565 1129 4104 2275 1364 0735 4027 5388] to the people of many countries, particularly those of Asian nations, caused by its colonial rule and aggression. He admitted that it was a period of "undeniable history."

This is the first time since the end of World War II that a Japanese prime minister has offered an official apology to Asian nations damaged by Japan's war of aggression. In response to this, a spokesman for the Chinese Foreign Ministry said yesterday that the posture taken by Murayama on behalf of the Japanese Government was positive. However, he added that some people in Japanese society, including the government, are still unable to adopt a correct attitude toward that period of history.

On 15 August, nine Japanese incumbent cabinet ministers paid tribute to Tojo Hideki and other convicted class A war criminals at the Yasukuni Shrine stained with the blood of the Asian people. From the standpoint of the Asian victims of Japan's aggression, this is emotionally unacceptable. After all, these ministers are "appointed officials" shouldering heavy ministerial responsibility. In addition, many of their administrative policies also have a direct bearing on Asian nations. Paying tribute to chief war criminals like Tojo has certainly provoked the indignation of the people of all victimized Asian nations. Many people in Japan are also strongly opposed to the visit by these cabinet ministers to the Yasukuni Shrine, for it has discredited Murayama's apology.

More than two years ago [as published], in March 1994, on his visit to China, former prime minister of Japan Morihiro Hosokawa expressed for the first time profound reflection and his apology for Japanese aggression against China, for which China applauded him.

It has been half a century since Japan's surrender. Yet not until today did Murayama, on behalf of the Japanese Government, officially apologize to all victimized Asian countries. This action is overdue, but compared with the previous cabinets, it is progress, more or less.

People from all over the world can see that unlike Germany, France, and Switzerland, Japan is very reluctant to acknowledge the history of its aggression. This is primarily because Japan's conservative forces are still stubborn and refuse to admit their defeat in war. The longstanding rule of conservative parties has encouraged such forces with government power.

Moreover, this cannot be separated from the United States' active propping up of Japan after World War II. To use Japan to counter the Soviet Union in the Far East, the United States protected and propped up the

Japanese conservative forces in terms of politics, economy, and military, including supporting war criminals Kishi Nobusuke and others to be prime ministers. It thus encouraged the growth of vestiges of militarist ideas and the emergence of fanatics like Yukio Mishima and others using hara-kiri to call for the revival of militarism.

True, Japan's rapid economic recovery has to do with the efforts of its people. But more importantly, it is the "opportunity," that is, the flourishing period of "special needs" from the Korean War and Vietnam War, which enabled Japan's economy to develop at a tremendous pace. Since the Ideka cabinet realized a policy of "double revenue," Japan's economy has been developing smoothly for years. Far from being affected by the two oil crises and the delinking of the U.S. dollar and gold, Japan took the opportunity to vastly expand its economy and thus became known as a "major economic power." For this reason, some Japanese conservative politicians have become insufferably arrogant and supercilious, with some even refusing to admit Japan's sinister acts during the war, denying its aggression, and even not acknowledging the Nanjing Massacre.

However, since the beginning of the "bubble economy" in the late 1980's, particularly since the end of the Cold War, with the increased friction between Japan and the United States, more and more people have seen that Japan likewise faces a grim situation. The new generation in Japan in particular are selfish, extravagant, and dissipated. The fine style of Japanese people's arduous struggle in the early days after the end of World War II is on the wane. The media keenly feel that Japan will have no future if it refuses to face reality or sincerely cooperate with Asian countries.

In view of this situation, Prime Minister Murayama correctly said: "Today is the 50th anniversary of World War II. We should bear in mind that we must look into the past to learn from the lessons of history, and ensure that we do not stray from the path to peace and prosperity of human society in the future. We must convey to younger generations the horror of war so that we will never repeat past mistakes."

In his meeting with ASAHI SHIMBUN's president Toshitada Nakae and his party in Beijing a few days ago, Chairman Jiang Zemin earnestly repeated: "To correctly approach that period of unusual history in Sino-Japanese relations is not only an important component of the political basis of Sino-Japanese relations, but also an important condition for the two countries to face future friendship from generation to generation." This remark is crucial to the future development of Sino-Japanese relations. In light of the current situation facing the two countries and their common interests in the 21st

Century, to develop friendly Sino-Japanese relations and to maintain peace and stability in Asia, it is even more necessary to heed history's warning while taking the Sino-Japanese Joint Declaration and Sino-Japanese Treaty of Friendship as the basis to jointly open up the future.

Hu Jintao Addresses Meeting on War Anniversary
OW2308150295 Beijing XINHUA in English
1448 GMT 23 Aug 95

[FBIS Transcribed Text] Beijing, August 23 (XINHUA) — Senior party leader Hu Jintao said here today that China's victory over Japan five decades ago was the country's first overall victory over foreign invaders and an important turning point in the Chinese people's efforts to revitalize the nation.

Hu, a member of the Standing Committee of the Political Bureau of the Chinese Communist Party's Central Committee, made the remark at a discussion marking the 50th anniversary of the victory of China's War of Resistance Against Japan (1937-1945).

The patriotism which was kindled in the war is great spiritual wealth that will forever inspire the Chinese people to constantly strive to become stronger, the Party leader said at the discussion held by the Organization Department of the Central Committee of the Communist Party of China (CPC).

He said that those who lag behind will be subject to humiliation and bullying, which is a historic lesson China has paid for in blood and lives.

China is no longer what it was five decades ago, as its economic and overall strength have been improved greatly. Yet it is still a developing country, and China must, under the leadership of the Party's Central Committee with Jiang Zemin at the core, promote sustained, rapid and healthy economic development, Hu said.

So long as its overall national strength further improves and new achievements are made in all social aspects, China will be in an invincible position in the world no matter what happens, Hu stressed.

About 120 Party cadres, government officials and revolutionary veterans attended the discussion, which was chaired by Zhang Qunjin, head of the Organization Department of the CPC Central Committee.

Chi Haotian Writes on War of Resistance
HK2408013595 Beijing JIEFANGJUN BAO
in Chinese 22 Jul 95 pp 1, 2

[Article by Chi Haotian (6688 3185 3944): "A Great and Magnificent Epic of Patriotism — Commemorating

the 50th Anniversary of Victory in the Chinese War of Resistance Against Japan and the World War Against Fascism"]

[FBIS Translated Text] The War of Resistance Against Japan was the first completely victorious war of national liberation in China's modern history and also the greatest one. During the lengthy years of the war, the Chinese people made enormous sacrifices as a nation, achieved glorious feats, made great contributions to victory in the World War against fascism, and composed a brilliant and magnificent epic of patriotism. Reviewing and studying the anti-Japanese war, and the experience of resisting aggression and protecting our motherland is of important, immediate significance to promoting the patriotic spirit of the Chinese nation; contributing to the reunification of our motherland, to nationality solidarity, and to the prosperity and wealth-building of our country; and encouraging the Chinese people to strive for a new victory in reform, opening up, and socialist modernization under the leadership of the party center with Comrade Jiang Zemin as the core.

An Antiaggression War of the Chinese Nation, All of One Heart

China's war of resistance against Japan was a nationwide antiaggression war. The scale of the mobilization effort and the number of people taking part were unprecedented in China's modern history. It was a magnificent people's war.

The war of aggression launched by Japanese imperialism against China was an unheard-of disaster in modern history, and brought devastating calamities on the Chinese nation. The Japanese aggressors massacred the Chinese people recklessly, and savagely bombed both cities and rural areas across the land. Wherever they went, they raped, burned, and killed; they committed all manner of atrocities; and their crimes were too numerous to count. In the anti-Japanese war, the total casualties of the Chinese military and civilian populations reached 35 million. In the Nanjing massacre alone, Japanese soldiers butchered more than 300,000 Chinese people. The Japanese Army conducted many years of cruel, barbaric "mopping-up" and "clearing-up" operations in anti-Japanese bases, such as those in north and central China, and created cannibalistic "no man's lands."

Where there is oppression, there is rebellion; where there is aggression, there is resistance. At a critical moment of life and death, the Chinese nation as a whole rose into action and formed an irresistible, mighty torrent of resistance against the aggressors. In order to safeguard the independence of our motherland and to

save our nation from peril, the CPC, equipped with Marxism-Leninism-Mao Zedong Thought, held aloft the banner of resistance against Japanese aggression, initiated the anti-Japanese national united front, and became a pillar in midstream in the nationwide anti-Japanese war.

Faced with a formidable enemy, the CPC, proceeding from the fundamental interests of the whole nation, was the first to put forward the suggestion of ending the civil war and establishing an anti-Japanese national united front. On that basis, it proposed a full-scale, nationwide anti-Japanese approach of going all-out to mobilize the masses, and of relying on them to conduct the war. Mao Zedong pointed out: "We stand for a complete national revolutionary war, with the people of the whole nation mobilized — in other words, a full-scale war of resistance because only this kind of war of resistance is a mass war and can achieve the aim of protecting our motherland." In the meantime, while mobilizing the armed forces of the whole nation, the CPC emphasized the need to mobilize the people of the whole nation; to reform political institutions; to conduct diplomatic activities with an anti-Japanese stance; to improve the people's livelihood; to conduct education in national defense; and to implement anti-Japanese financial, political, and economic policies; so that the people of the whole nation, the government, and the armed forces could unite as one and build a solid great wall out of the national united front.

The Kuomintang [KMT]-CPC cooperation was achieved under the banner of the anti-Japanese national united front initiated by the CPC. After the 18 September incident, the CPC proposed to all the KMT forces nationwide the signing of an armistice and fighting the Japanese aggressors together under the three preconditions: Stopping offensives, giving freedom to the people, and arming the people. This appeal won a positive response from a number of KMT units. Some patriotic generals overrode the KMT's centralized command and took the lead in cooperating with the CPC and its armed forces. The founding of the North Chahar [cha bei 1390 0554] Allied Army; the signing of an anti-Japanese agreement by Cai Tingkai [5591 1694 6946] and Jiang Guangnai [5592 0342 7845] with the Chinese Soviet Government and the Red Army of Workers and Peasants; the founding and development of the Northeast Anti-Japanese United Army; and the cooperation of the Northwest and Northeast Armies with the CPC and the Red Army forcefully propelled the formation and development of the KMT-CPC cooperation. After General Zhang Xueliang and General Yang Hucheng launched a "forced remonstrance [bing jian 0365 6169]," the "Xian incident" was resolved

peacefully with the CPC's recommendation and participation, which further promoted full-scale cooperation between the KMT and the CPC and their armed forces. Though the two parties held different political beliefs and the two armies had different natures, yet under the great banner of patriotism and in the struggle against their common enemy — Japanese imperialism — they did halt their civil war and join forces to resist foreign aggression. The frontline battlefield and the battlefield in the enemy's rear area cooperated with each other in the fighting. The Pingxingguan Campaign, the Taiyuan defensive battle, the 100-Regiment Campaign, the Tairzhuang Campaign, the Xuzhou joint battle, and the Wuhan defensive battle all were glorious chapters in the concerted effort to fight the Japanese aggressors.

In the enemy's rear, in the anti-Japanese bases led by the CPC, the Eighth Route Army and the New Fourth Army, as the mainstay of the anti-Japanese forces, conscientiously implemented the principle of fully mobilizing and arming the masses. The masses — including the young, the middle-aged, the old, women, and even children — were mobilized into action in an in-depth and extensive way. They started to fight the enemy in every possible way. As a result, the mainstay forces, local forces, and militia were truly united; the armed masses and the unarmed masses were truly united; and the armed fighting and various forms of unarmed fighting were integrated; which created a complete set of strategies and tactics characterizing a people's war, and formed a mighty ocean drowning the enemy. After the war had moved into the phase of strategic stalemate, the broad ranks of soldiers and civilians on the battlefields of the liberated areas united as one and put up a tenacious fight under difficult circumstances. They confronted 64 percent of the Japanese troops in China and 95 percent of the puppet troops. By defeating the better-equipped aggressors with inferior equipment, they created a miracle in the history of the war. Comrade Zhu De summarized the war, saying: "The basic content of a people's war is the campaign put up by the masses.... One characteristic of such mass campaigns is that the public not only provide political and economic cooperation, but also give support in military warfare. Such a war is not fought by the army alone. It is conducted with the flexible cooperation of the general public joining hands in the struggle. In such a war, the main forces and the local forces cooperate, and so do the regular forces and guerrillas, militia, and people's self-defense corps." Even the Japanese aggressors themselves lamented: "The enemy's armed forces not only have regular troops, but also have layers upon layers of militia and their supporters around them...." "all the militiamen, and even women and children in the CPC areas helped transport hand grenades in bamboo bas-

kets, whereas some of our units, after pressing forward without being adequately equipped, were surprised and besieged by enemies wielding broadswords and were forced into tough engagements."

Under the banner of the CPC's anti-Japanese national united front, all nationalities, all strata of the society, all social bodies, overseas Chinese, and all patriots nationwide joined in and supported the war of resistance in various ways. The working class played a pioneering role, while the peasants became a powerful backing and main force in the war. Women took an active part in fighting or supporting the front, making enormous contributions and sacrifices. The broad ranks of patriotic intellectuals either gave up their pens for swords, or turned their pens into swords by propagandizing among the masses and mobilizing them into action. The people of the Mongolian nationality, the Man nationality, and the Korean nationality living in Northeast China and near the northern borders; the people of the Hui nationality in North China; the people of the Li and Miao nationalities in Hainan; the people of the Zhuang nationality in Guangxi; and the people of the Gaoshan nationality in Taiwan all bravely threw themselves into the struggle against the Japanese invaders. The compatriots in Hong Kong and Macao always stood in the frontline of the war of resistance. The Overseas Chinese set up organizations for "raising relief funds," "providing disaster relief," and "raising funds for soldiers' pay and provisions." They managed to pool enormous amounts of financial and material resources to aid the war of resistance. Furthermore, many overseas Chinese came straight back to China to join the Army and go to the battlefield. Seeing that the Chinese Army was weak, the broad ranks of overseas Chinese not only made donations to help their motherland purchase aircraft, but also set up various kinds of pilot schools where the most outstanding overseas Chinese youth were sent for training, and afterward supplied back to China as fighter pilots. Throughout the war, the number of returned young Overseas Chinese of Guangdong origin who joined the Army exceeded 40,000.

Mao Zedong summed up the situation saying: "The main reason why Japan dared to bully us was because the Chinese public was in a state of disorganization. By overcoming this weakness, we are putting the Japanese aggressors in front of hundreds of millions of people who have stood up. The Japanese aggressor is like a wild buffalo that has plunged into a field of fire. Even a shout made by us in chorus would give it a big scare. This wild buffalo is bound to be burned to death."

The Source of Strength That Underlies the Sublime Heroism of Fighting the Enemy to the Very End With Unflinching Courage

The patriotic spirit of the Chinese nation became the source of strength that encouraged the Chinese people to fight a strong enemy to the last drop of their blood in a dauntless and indomitable spirit during the anti-Japanese war.

Patriotism manifested itself during the anti-Japanese war as a strong sense of national pride and self-confidence. The Japanese aggressors we faced were atrocious and diabolical fascists, armed to the teeth. They had absolute superiority over us in weaponry and equipment, which posed severe difficulties and an acid test for the Chinese nation's antiaggression campaign. Nevertheless, inspired by a strong patriotic spirit, the Chinese people, though faced with a formidable enemy, showed their courage to fight and win.

The Japanese militarists had overestimated themselves and underestimated China. They had attempted to subjugate China within a few months by using a "blitz" strategy. At that time, some people in China also said with certainty: "To resist means to be conquered." To counter this argument, Mao Zedong pointed out in a clear-cut stand: "Japan is a small country. It has little land, a small quantity of resources, a small population, and a small army. China is a big country. It has a large territory, rich resources, a big population, and a big army. Therefore, apart from the comparison of strength, there is also the contrast of a small, retrogressive, unpopular country versus a big, progressive country enjoying extensive support. This is the reason China will not perish at all." "Japan cannot go on having its way forever. It is bound to meet its final defeat." Mao Zedong's argument reflected the law of historical development, and expressed the common will and wish of people throughout the nation. Zhang Zizhong [1728 5261 1813], a patriotic KMT general, wrote the following in a letter to all the officers and men of the 59th Army on the eve of the Xiangfan campaign: "Our country and nation, with its 5,000-year history, will not end up subjugated by the despicable short scum from three tiny islands. My determination to die for our country and nation will never change, just as the seas will never dry up and the rocks will never decay." Strong national pride and self-confidence turned into a powerful spiritual force that overwhelmed all the enemy and surmounted all difficulties. The northeast anti-Japanese united army fought in the mountains and rivers, in the high mountains and dense forests, and in a world of ice and snow. The Japanese aggressors launched frequent "mopping-up operations" on the military front and economic fronts, and imposed strict blockades, making cir-

cumstances extremely harsh for the united army. However, the officers and men, with a noble sense of revolutionary optimism, climbed on the ice, slept in the snow, and endured hunger and cold. They ate tree bark, grass roots, and acorns. They fought in one place after another under harsh conditions, tenaciously persevered, and defeated the enemy in many of the latter's "punitive expeditions." The enemy's autopsy of General Yang Jingyu's [2799 7231 1342] body following his heroic death revealed that he had no grain in his stomach, only grass roots and cotton wadding. The soldiers of the united army put up such a hardy, tenacious, and courageous fight that the enemy were terror-stricken by them. The Japanese aggressors pursued a "burn all, kill all, loot all" policy in our anti-Japanese bases, in an attempt to bottle up the anti-Japanese soldiers and civilians. However, the soldiers and civilians fighting the Japanese invaders, in a spirit of self-reliance, conducted a great production campaign, and eventually overcame difficulties and smashed the enemy's blockade.

Patriotism turned into enormous courage and the spirit of self-sacrifice in the course of the anti-Japanese war. The invasion by the Japanese imperialists made the Chinese people understand the saying: "Can the eggs remain intact when the nest has been overturned?" They felt deeply the close connection between the defeat of their motherland and the loss of their homes. To save the country and nation from a perilous crisis, countless sons and daughters of the Chinese nation, risking their lives, "would rather die in the battlefield than become a conquered people." They fought with sublime heroism, and in total disregard of their own safety. Zuo Quan [1563 2938], Peng Xuefeng [1756 7185 2800] and Yang Jingyu, high-ranking generals of the Eighth Route Army and the New Fourth Army, laid down their lives for their country. The five heroes of Langya Shan jumped off the cliff in a moment of great martyrdom. Eight women soldiers drowned themselves in the Wusihun He. Zhao Yiman [6392 0001 2581] refused to yield under savage torture. The old mother of Ma Benzai [7456 2609 7872] indignantly denounced the enemy chieftain while in captivity. The broadsword corps of the 29th Army fought in hand-to-hand combat at Xifeng Pass. And 800 heroes in the Sihang Warehouse died for their motherland. All those heroic deeds, which shook the heavens and moved the gods, demonstrated the awe-inspiring righteousness of the Chinese nation and the infinite love of its sons and daughters for their motherland.

Patriotism inspired the Chinese people, whose wisdom and resources burst forth, creating all kinds of flexible tactics for outdoing a stronger enemy and winning the war. In the vast battlefield in the enemy-occupied

areas, the Eighth Route Army, the New Fourth Army, and the broad ranks of militiamen and guerrillas took up all kinds of weapons; took advantage of high mountains, dense woods, river networks and reed marshes, tunnels under flatlands, and the green curtains of crops; and waged a more active people's guerrilla war than ever before. The broad ranks of soldiers and civilians suited measures to local conditions and organized such combat groups as flatland guerrilla detachments, railway guerrilla detachments, waterborne "Goose Feather" detachments, and enemy-rear armed working teams. With astounding courage and wisdom, they invented tunnel warfare tactics based on underground tunnels which helped defeat the better-equipped enemy's offensive with inferior equipment; landmine warfare tactics using home-made mines as main weapons; sparrow warfare tactics characterized by surprise rallying and dispersion, making a feint in the east while actually attacking in the west, and leaving the enemy on tenterhooks and in a constant state of trepidation; joint-defense tactics characterized by any party under enemy attack receiving support from all other parties; sabotage-attack tactics aimed at sabotaging the enemy's communications; railway guerrilla tactics in full play along railway lines; siege tactics for blocking the enemy's supply lines and water sources; waterborne guerrilla warfare tactics efficiently used in branching rivers and lakes; and so on and so forth.

In the hands of the patriotic soldiers and civilians, who were bursting with creativity, the primitive broadswords, lances, and spears, as well as nature's water, fire, and rocks, all became lethal weapons for killing the enemy. This highly flexible, "most extensive and firmest guerrilla war" subjected the enemy to attack wherever he was. He suffered casualties every day. He was landed in an extremely nervous situation, in which he would attend to one thing, only to lose sight of another. Eventually, he ended up in the boundless sea of the people's war.

The history of the anti-Japanese war proves that the banner of patriotism is a fighting standard and a standard of victory. The sons and daughters of the Chinese nation, rallying under this banner, have dauntless heroism to fight the enemy to the very end, and the ability to keep China standing upright among all nations of the world. The Chinese nation is a heroic one, and the Chinese people will not swallow any humiliation!

Precious Spiritual Asset of the Sons and Daughters of the Chinese Nation

The patriotic spirit promoted in the anti-Japanese war was a precious spiritual asset of the sons and daughters of the Chinese nation. We must cherish it dearly,

and must carry it forward under the new historical circumstances.

Patriotism is a strong driving force in our endeavor to accelerate socialist economic construction. The history of the anti-Japanese war poses us this question: Why did Japan, with a population of only 90 million, dare to invade a big country that had more than 400 million people? Though the reasons could be manifold, it was mainly because Japan was much superior to China in its economy and military power. Despite its vast territory and large population, the semifeudal and semi-colonial old China long had been under invasion by the imperialist powers because of its corrupt government. The confused fighting among the warlords within the country went on and on, the national strength was weak and the people poor, science and technology were backward, and production was marking time. It was by taking advantage of their power that the Japanese militarists wantonly invaded China. "Backwardness invites aggression"; a backward country is an easy target for bullying. As early as before the anti-Japanese war, some men of insight called for "national salvation through science" and "national salvation through industry." However, because of the corrupt government, these appeals naturally remained slogans. Under the leadership of the CPC, the "three big mountains" of imperialism, feudalism, and bureaucrat capitalism were overturned, and New China was founded. The people of the whole nation — with great patriotic enthusiasm — relied on themselves, unremittingly spurred themselves on, made strenuous and selfless efforts, helped to accelerate the economic construction of their motherland with all their energy, and worked very hard to scale the heights of science and technology. Since liberation, and especially since the Third Plenary Session of the 11th CPC Central Committee, our social productive forces have experienced rapid development, and both economic construction and overall national strength have been upgraded to a new height. We have established a relatively complete, independent, and full-range industrial system and national economic system. The scientists — their hearts as pure and sincere as those of newborn babies — work indefatigably, like horses galloping ahead without being spurred. They stretch every day, and generate a constant stream of important scientific and technological findings. Some of them have reached or approached advanced world levels in atomic energy technology, biosciences, agricultural science, high-energy physics, computer technology, carrier rocket technology, satellite technology, and so on. Their enormous achievements have attracted worldwide attention. Naturally, however, as we progress, so do others. Though our country has embarked on the road of prosperity, our economy is not developed enough. This requires us to continue promoting the patriotic spirit,

and under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, to pursue the party's basic line of "one center, two basic points" in a down-to-earth manner, and to strive to accelerate the process of socialist modernization.

Patriotism is a strong motive force that urges us not to forget our national disgrace, and to think of danger in times of peace by strengthening the modernization of national defense. The history of the anti-Japanese war is the best textbook for education in patriotism and national security. It prompts us to bear firmly in mind the bitter lesson of the Chinese nation's once having been invaded and in a state of defeat, and to try to build a new Great Wall against foreign aggression. The Japanese imperialists' invasion turned thousands upon thousands of villages and towns to scorched rubble. Hundreds of millions of compatriots groaned under the savage atrocities of the Japanese aggressors; tens of millions of compatriots were bayoneted, disemboweled, beheaded, buried alive, and burned to death; and both young girls and old ladies were raped. This utter disgrace and lesson, paid for in blood, tell us that we must strengthen the building of national defense.

In the early days of New China, Mao Zedong unequivocally pointed out: The imperialists and reactionaries in various countries will not accept their defeat. He urged us never to relax our vigilance, pointing out emphatically: "Our national defense will be consolidated. We will not allow any imperialist to invade our territory again." In the struggle to safeguard and build national defense, the Chinese people showed the same patriotic enthusiasm as they did in the economic construction campaign. In the war to resist U.S. aggression and aid Korea, and in various battles of self-defense and counterattack, many excellent sons and daughters of China laid down their lives for the sake of our motherland's security. To speed up the modernization of national defense, the officers and men of the People's Liberation Army (PLA) and the comrades working in such fields as defense research, ordnance production, people's armed forces, people's air defense, and defense communications all are ready to devote themselves to, and make brave sacrifices for their causes, giving all their energy and wisdom, and displaying a strong sense of responsibility for the motherland's security. They have made brilliant achievements in China's ordnance research and production. Their selfless spirit of "offering their whole lives after having offered their youth, and of offering their descendants after having offering their own lives" will be forever a model for us to follow! The PLA's weaponry and equipment have continuously improved, and we have built the PLA into a combined army, complete with Ground Forces, Navy, Air Force,

and Strategic Missile Force. China has developed independently its own nuclear power, and has torn down the superpowers' nuclear monopoly. On the basis of the militia system, the traditional mass armed forces, we have built a reserve duty system, set up a reserve duty force, and formed a new backup mobilization system. We have strengthened battlefield building, people's air defense construction, and the development of defense communications. The flourishing "double-support and joint building" campaign has reinforced the unity between the Army and the local government, and between the Army and civilians. All this can be regarded as a result and crystallization of the patriotic spirit in full play during the new historical period. Naturally, however, while recognizing our achievements, we must not lose sight of the fact that compared with developed countries, our defense modernization still has a long way to go. In today's world, peace and development are two themes, but destabilizing factors still exist. In Japan, there are still some people trying to resurrect militarism. Some officials have openly defended Japan's policy of aggression, distorted the facts in school textbooks, denied the Nanjing massacre, publicly paid homage at the Yasukuni Shrine on a conspicuous scale, altered their constitution, and "sent troops abroad." Naturally, this has caused grave concern among the Chinese people, who suffered profoundly from Japanese militarism. This also reminds us that in the new historical period, we must heighten our vigilance, be prepared for danger in times of peace, and build our "Great Wall" even more solidly. We must never allow a repeat of the tragedies of the "Nanjing massacre" and the "ten thousand corpses pit."

Patriotism is a strong driving force behind national reunification and the great unity of the Chinese nation. Old China used to be compared to "a heap of loose sand." The anti-Japanese war proved that patriotism can serve as a powerful adhesive binding the whole nation together. During the war, under the banner of patriotism, the whole nation, all Chinese communities both inside and outside China, and both the armed forces and civilians alike broke through all kinds of historical, class, cultural, and ethnic barriers. Everyone with a patriotic heart — no matter to which party, class, or belief he was affiliated — rose to help save the country in a time of national crisis. The whole nation had one voice: "Swing your broadsword toward the head of Jap the devil!" The people throughout the country were following in step: "March on, braving the enemy's shelling!" This indicates that patriotism is a banner of nationality solidarity. At a critical time, when the destiny of the country and the nation hung in the balance, all parties of the country, the people from all walks of life, and all patriotic armed forces were able to unite as one and help save the

country. Today, the reunification of our motherland and the reinvigoration of the Chinese nation are in the interest of the whole nation. Comrade Deng Xiaoping, a broad-minded visionary representing our party, has put forward a series of principles and policies, including the "one country, two systems" policy, thus creating favorable conditions for the settlement of the Taiwan issue. Chairman Jiang Zemin recommended a 10-point proposal for pushing forward the peaceful reunification of our motherland which not only has won active support from the compatriots both inside and outside China, but also has met with enthusiastic acceptance by Taiwan compatriots, including many KMT military and government personalities. Patriotism, unity, and reunification are popular aspirations, and they represent the general trend. It is our belief that under the banner of patriotism, the third KMT-CPC cooperation will come true one day, and that together we will complete the grand patriotic feat and great undertaking of the overall reunification of the Chinese nation.

The historical experience of the anti-Japanese war also has revealed to us that although patriotism is a traditional virtue of the Chinese nation, steadfast and powerful propaganda and education are essential in our effort to give greater play to this traditional virtue. During the anti-Japanese war, the nationwide education in national defense, focussing on patriotism, was vigorous and colorful. Media of all kinds — including journalism, publications, film, theater, and song — were employed. Schools, households, trade unions, peasants' unions, women's federations, youth leagues, children's leagues, and even society as a whole, all participated in the propaganda on patriotism and resistance against Japanese aggression. Impassioned, heroic songs — such as "March of the Volunteers," "The Guerrillas," "March of the Broadsword," and "Go To the Enemy Rear" — were sung all across the country. "The mother urges her son to fight the Japs/The wife sends her husband off to the battlefield" demonstrated that the education on the importance of loving and protecting the motherland had struck home among millions of people. This experience of socializing and regularizing the education in patriotism and national defense is very much worth carrying forward and promoting. Last year, the party center published "An Outline Program for Education in Patriotism." To implement this outline program in a down-to-earth manner is an important item on the agenda of building socialist spiritual civilization. We must carry out this education in depth, effectively, and unremittingly, so that the virtue of patriotism may become an heirloom of the Chinese nation.

This year marks the 50th anniversary of the victory won by the people of the world in the war against fascism,

the 50th anniversary of the Chinese people's victory in the war of resistance against Japanese aggression, and also the 100th anniversary of the signing of the Treaty of Shimonoseki, which brought crowning humiliation upon the Chinese people. The past not forgotten is a guide for the future. We must never forget the heavy peril inflicted by the fascist aggressors upon the people of the world and of China, must never forget the bitter lessons of being bullied because of backwardness and of having no national defense to protect the country, and must never forget the noble mission of building our motherland and consolidating national defense. We absolutely must not allow a repeat of the tragedies of the past! Today, the world is on the threshold of a new millennium. In the great historical process of moving into the next century, the Chinese people, on the one hand, have made great achievements that have attracted worldwide attention, while on the other, they also are faced with problems that should not be overlooked. They not only face a rare opportunity, but also are going through an acid test. We must bear in mind what happened in history; must not forget the national disgrace; must keep our responsibility in mind; must carry out our mission successfully; must hold high the banner of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics; must rally closely around the party center with Comrade Jiang Zemin as the core; must firmly implement the party's basic line of "one center, two basic points"; and must turn the great patriotic spirit that shone through in the anti-Japanese war into a tremendous spiritual and material force. We must march forward bravely, with one heart and one mind, and struggle hard for the reunification of our motherland and for a prosperous, powerful, socialist nation!

Liaoning Governor Meets DPRK Group

SK2408053695 *Shenyang Liaoning People's Radio Network in Mandarin* 2200 GMT 22 Aug 95

[FBIS Translated Text] On 22 August, Governor Wen Shizhen met with a DPRK friendship delegation led by (Chu Song-chol), vice chairman of the North Pyongan Provincial Administrative and Economic Guidance Committee, at the provincial government office.

Governor Wen extended a warm welcome to the delegation. He said: Liaoning Province and North Pyongan Province are separated by a river. Both sides have frequent contacts and are bound by ties of fraternal friendship. He expressed that the people of our province and of the whole country will make efforts to develop the friendship between China and the DPRK as before, and will make the friendship pass on from generation to generation.

Governor Wen expressed sympathy and solicitude for the recent flood disasters in areas near North Pyongan Province. He expressed hope that people of North Pyongan Province would struggle in unity, overcome floods, and rebuild their homes.

After the meeting, Governor Wen held a banquet at Friendship Hotel to entertain the delegation members. Vice Governor Gao Guozhu; (Jin Xiangjian), vice mayor of Shenyang city; and Han Chol, consul general of the DRPK consulate in Shenyang, attended the meeting and banquet.

Sub-Saharan Africa

Nigerian Delegation To Attend Women's Conference

OW2408064395 *Beijing XINHUA in English* 1949 GMT 23 Aug 95

[FBIS Transcribed Text] Lagos, August 23 (XINHUA) — Nigeria's first lady, Mrs. Maryam Abacha, is to be appointed Vice-Chairperson of the fourth world conference on women, a government spokesperson told XINHUA here today.

Mrs. Rosaline Odeh, a spokesperson of the Ministry of Information who is also a member of the Nigerian delegation, said the decision is made by the United Nations.

The first lady would cooperate with the chairperson, Ms. Chen Muhua of China, in directing the conference, she noted.

Meanwhile, the Minister of Women Affairs, Mrs. Judith Attah, said that the Nigerian delegations would urge the United Nations to initiate a global peace movement focused on forgiveness, tolerance and understanding among nations of the world.

The fourth world conference on women is to be held in Beijing, from September 4 to 15, 1995.

The two Nigerian women's delegations, the official one headed by Mrs. Abacha, and the non-governmental one organized by the National Association of Women Societies, are scheduled to leave for Beijing of China on August 28, 1995.

South Africa Forms Delegation for UN Conference

OW2408064495 *Beijing XINHUA in English* 2204 GMT 23 Aug 95

[FBIS Transcribed Text] Johannesburg, August 23 (XINHUA) — South Africa today formed its government delegation to participate in the forth world women conference to be held in Beijing early next month.

This is the first time for South Africa to attend the world women conference organized by the United Nations.

The 25-member delegation, to be headed by health minister Nkosazana Zuma, includes National Parliament Speaker Frene Ginwala and two female deputy ministers.

Representatives of various political parties of South Africa will also be included in the delegation.

Zuma said today at a press conference in Cape Town that president of women's league of the African Na-

tional Congress, Winnie Mandela, was excluded from the delegation as the league is not a government organization.

However, the women's league last week announced that Winnie Mandela would represent South Africa at the Beijing conference.

According to government officials, Winnie Mandela will take part in the non-governmental organization (NGO) delegation of South Africa.

Political & Social**Deng Pufang Says Deng Xiaoping in Good Health***HK2408070595 Hong Kong WEN WEI PO in Chinese
24 Aug 95 p A2*

[Dispatch by staff reporter Han Hua-pei (7281 2901 0554) from Beijing on 23 August: "Deng's Family Members Celebrate His Birthday, Deng Pufang Says Deng Lives in His Usual Way"]

[FBIS Translated Text] Deng Pufang, Deng Xiaoping's eldest son, said here today: "My father is in good shape. We celebrated his birthday yesterday."

Deng Pufang, chairman of the Chinese Federation for the Disabled, made this remark when attending the "activity for outstanding disabled youth in Beijing and Hong Kong to understand China at present and to march ahead together, and the award ceremony for the outstanding disabled in Beijing and Hong Kong" held this evening. When asked how Deng spent his birthday with his family members, Deng Pufang said: "We celebrated his birthday as usual. He is in good health and leads a normal life."

Liu Huaqing Inspects Hebei, Shanxi Provinces*OW2308230895 Beijing XINHUA in English
1541 GMT 23 Aug 95*

[FBIS Transcribed Text] Taiyuan, August 23 (XINHUA) — Liu Huaqing, vice-chairman of the Central Military Commission, called on the country to hold high the banner of patriotism during a tour of Hebei and Shanxi provinces.

Patriotism is always the great spiritual pillar that unites the Chinese people, the great banner under which the people rally to revitalize China and their source of strength, the vice-chairman said during his August 18-23 tour.

Liu, also a member of the Standing Committee of the Political Bureau of the Chinese Communist Party Central Committee, visited the old headquarters of the Eighth Route Army in Taihang in north China's Shanxi Province and other revolutionary sites related to the Eighth Route Army.

The two provinces were major theaters of war, where the Eighth Route Army, under the leadership of the Communist Party of China, fought the invading Japanese troops.

Wang Maolin on Democratic Centralism*HK2308025495 Beijing RENMIN RIBAO in Chinese
8 Jun 95 p 9*

[Article from "Conscientiously Study and Implement 'Decision' of Party's Fourth Plenary Session" Column by Wang Maolin: "Correctly Understand Democratic Centralism"]

[FBIS Translated Text] Democratic centralism is our party's fundamental organization system and leadership system. It is a scientific, reasonable, and effective system. The history of our party tells us that when democratic centralism was properly upheld, inner-party life was healthy and normal, and the party's cause thrived, but when democratic centralism was not properly upheld, inner-party life was in disarray and the interests of the country and the people suffered. Our party now shoulders the historic mission of leading the development of a socialist market economy and the cause of socialist modernization, and how to further uphold and improve democratic centralism has become a new major issue before us.

Acquire a Full, Comprehensive and Correct Understanding of Democratic Centralism

Democratic centralism is a system which combines centralism based on democracy and democracy guided by centralism. It is exceedingly rich in substance.

The core of democratic centralism is democracy: democracy is its basis and premise. **Democracy under democratic centralism means the desires of party members and the party organization, the full expression of ideas, and the full expression of initiative and creativity.** Democratic centralism is the embodiment of the party's mass line in party life.

It has been proved by innumerable facts that the mass line is indeed our party's major weapon for overcoming all difficulties and seizing victory in revolution and construction. A distinct difference between us communists and other political parties is that we have maintained the closest ties with the masses and wholeheartedly serve the people. Chairman Mao said: "Our responsibility is to hold ourselves responsible to the people. Our every word, action, and policy must be in line with the interests of the people. If mistakes are made, they must be corrected." This was also what Comrade Xiaoping meant when he said that when we ponder over issues or take actions, we must see whether the masses are happy and satisfied, and whether they agree with us and support us. This is the starting point and goal of our party's leadership work. The effective implementation of all policy decisions of our party depends on the full

expression of democracy, that is, from the masses, to the masses, and pooling the wisdom and efforts of the masses.

Centralism in democratic centralism means the concentration of the whole party's will and wisdom and the unity of action. Centralism means the pooling of correct opinions. If opinions pooled are not correct, the masses will be led astray. In order to ensure the correctness of centralism, Chairman Mao demanded that the following be observed in the process of centralism: First, we must go among the masses to hear diverse opinions, whether they be good, bad, correct, or negative. Only by extensively soliciting opinions can we avoid subjectivity, one-sidedness, and superficiality in centralism. Second, centralism does not mean simply accumulating the masses' opinions. It requires analyzing different views, discarding the dross and selecting the essential, eliminating the false and retaining the true, and proceeding from the one to the other and from the outside to the inside. Without investigating, studying, and summing up the masses' experience and opinions, no leader, no matter how smart he is, can correctly carry out centralism. **In the final analysis "centralism" means centralizing, on the basis of democracy, opinions that are in the interests of the majority of the people; in other words, opinions that are in the long-term and fundamental interests of the majority of the people.** We understand the world in order to transform the world. With correct decisions made on the basis of centralizing diversified opinions, it is still necessary to unify the masses' will and consolidate the people's strength to execute and implement them. Otherwise, we will be like a heap of loose sand and will be unable to accomplish anything.

We cannot adopt a pragmatic attitude toward democratic centralism. Democracy and centralism are a dialectical unity. We cannot emphasize democracy and negate centralism, but neither can we emphasize centralism and negate democracy. The vast numbers of party members, particularly leading party cadres, must truly understand the intrinsic meaning of democratic centralism and the dialectical unity between democracy and centralism, and correctly practice democratic centralism. In our inner-party life at present, there are problems of inadequate democracy as well as problems of inadequate centralism. In the economic sphere, localism, departmentalism, and decentralism are growing and spreading. Driven by economic interests, some comrades are jeopardizing collective and national interests for personal benefits or the interests of small groups. They tend to put undue emphasis on their local and partial work and hope to subordinate overall interests to their local and partial interests, forgetting their party spirit and princi-

ple as communists and the principle of "centralism" in democratic centralism. In the political sphere, patriarchal ways of "what I say goes" and "one person making all the decisions" and the lax workstyle of "no one has the final say" exist side by side to varying degrees in some party committees.

In Upholding Democratic Centralism, It Is Necessary To Attach Importance to Several Aspects

It is necessary to exert great efforts to make democratic and scientific decisions. Decisionmaking is an important part of leadership work. Chairman Mao said: The responsibility of leaders is to work out ideas and use cadres well. The two actually refer to decisionmaking. Correct decisionmaking and its effective implementation are the most important aspects of collective leadership. In order to make democratic and scientific decisions, it is necessary to pay attention to the following points: First, there must be an extensive mass base. In making decisions on major issues, it is necessary to insist on putting democracy before centralism, give full scope to democracy, solicit diverse opinions, pay attention to the discovery and extraction of the new experience created by the masses, concentrate the opinions and experience of the masses, and then go back to the masses to organize the implementation of decisions in order to test the correctness of these decisions among the masses. It is then necessary to again take the masses' ideas and concentrate them, go back to the masses, persevere in the ideas, and carry them through. This process will be repeated over and over, and each time the ideas worked out will be more correct, vivid, and rich. Second, it is necessary to go deep into reality to conduct investigations and studies. Members of the leading groups of party committees at all levels must further intensify and deepen their investigations and studies so that they can make decisions that conform with the objective reality. What is meant by "intensification" is that we must increase the weight of investigations and studies and create a keen atmosphere of such activities. Investigations and studies must be macroscopic and all-round and efforts must be made to have a good grasp of local economic and social life and to understand the economic and social development trends in the country and in the world. What is meant by "deepening" is that we must go deep into the practice of reform and construction, go deep into the all-round and truthful situation of the subject of investigation, and come up with incisive ideas that conform to the reality of reform and construction. Third, it is necessary to establish a decisionmaking group that combines leaders, experts and the masses, and fully bring into play the role of experts in leading the decisionmaking process. Fourth, it is necessary to have continuity and stability and to avoid incon-

sistencies in policy. The party Central Committee has emphasized that once the general principles and policies have been laid down, and the key to their success lies in real work and implementation. If those at the top keep changing their ideas, the grass-roots levels and the masses will not know what to do. Even if the leaders have been replaced, the decisions collectively made by the party committee must be carried through by their successors as long as they are correct decisions. Fifth, it is necessary to follow standardized decisionmaking procedures. Advance notice must be given so that every comrade involved in decisionmaking can be well prepared. Except in emergency situations, extemporaneous motions should be avoided as far as possible. Practice proves that when extemporaneous motions are put forward and people are not well prepared, it is not easy to produce well thought out suggestions. Sometimes such suggestions are adopted in order to maintain "unity," but these often become an important cause of contradictions within the leading groups. All major decisions must be made after full and democratic discussion. It is necessary to allow the full expression of differing ideas, and it is wrong to set the tune first. Of course it is also necessary to correctly concentrate ideas, strictly observe the principle of the minority is subordinate to the majority, concentrate the correct opinions of the majority, and have clear-cut division of labor and delegation of responsibility in the implementation of decisions. Sixth, it is necessary to be fair in meting out rewards or punishments in the course of implementation. Decisions are collectively made, and in principle, the implementation of decisions is also a collective responsibility. However, this does not mean that the party can tolerate the practice of "everyone eating from the same big pot," have obscure division of responsibility, and make no distinction between those meriting rewards and those deserving punishment in its leadership work.

As Lenin said: "At all times and in all circumstances, it is necessary when exercising collective management to make it absolutely clear that each person must assume personal responsibility for what has been clearly defined as his duty. The greatest harm that can be done is to use collective management as an excuse not to have anyone assume responsibility." Thus, in the leading bodies of party committees at all levels, what has been collectively decided must be implemented separately. Everyone must be doing his part of work and must assume personal responsibility. There must not be any shifting of responsibility. Leading cadres must be encouraged to boldly assume responsibility.

It is necessary to resolutely uphold the Central Committee's authority and ensure the smooth implementation of policies. An important aspect of "centralism"

in democratic centralism is the upholding of central authority. Comrade Xiaoping minced no words when he pointed out: "My central idea is that the Central Committee must have authority. Reform must be carried out in a well-led and orderly manner if it is to succeed. Without this, there will be noisy disorder and each will do as he pleases. How can that be tolerated? We cannot tolerate 'you have your policy, I have my countermeasures.' We cannot tolerate 'countermeasures' that go against the policies of the Central Committee. We have been talking about this for many years. If the party Central Committee and State Council have no authority, the situation will get out of hand." A vast, multinational country with a large population such as ours will fall apart and there will be no way to maintain stability unless there is a strong and powerful central authority to unify understanding and unify leadership. Thus, upholding the authority of the Central Committee is the basic condition for the survival and development of the Chinese nation. This is necessary for ensuring national security and social and political stability, for concentrating efforts on boosting the national economy, and increasing the overall national strength, and for establishing a new socialist market economic system and further opening the country to the outside world. The history of our party makes it clear that the central leadership collective must have a core. The first- and second-generation leadership collectives with Comrades Mao Zedong and Deng Xiaoping at the core have, in the great practice of leading China's revolution and construction, made one brilliant achievement after another and developed a huge rallying force and appeal in the whole party and country. Since taking charge of the Central Committee, Comrade Jiang Zemin has led the people of the whole country in winning new victories in reform, opening the country to the outside world and modernization, and has won the support and trust of the whole party and the people of the whole country. Upholding the authority of the third-generation leadership collective with Comrade Jiang Zemin at the core is in the highest interest of the whole party and the people of the whole country.

The party committees and governments at all levels, particularly the provincial level, must set an example in upholding the Central Committee's authority. They must set store by overall interests in everything they do, proceed from the interests of the whole country in considering issues and handling things, and properly resolve the question of subordinating local interests to the interests of the Central Committee in ideology and in work. Matters which need to be centralized by the Central Committee should be highly centralized by the Central Committee, while the local authorities should take the country's overall interests into account when considering local issues. Some comrades think that it is

only under a planned economy that they have to coordinate the nation's activities as in a chess game, and that this is not necessary under a socialist market economy. This is erroneous. In a big country of great diversity like China, establishing a socialist market economy is a much more difficult, demanding, and complicated chess game, which makes it all the more necessary to embrace the concept of the whole. Each locality has its own overall interests, and each department has its own overall interests, but they are all local and partial interests when compared with the overall interests of nationwide reform, the opening of the country to the outside world and socialist modernization. A particular measure may be feasible and even useful when seen locally, but it may not be feasible or useful from the perspective of the whole. In such circumstances, local interests should be subordinated to overall interests. At present, local party committees must pay attention to the following points when upholding the authority of the Central Committee: First, it is necessary to use Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics to arm the whole party and to unify the thinking of the vast numbers of party members and cadres. Second, it is necessary to carefully select the optimal meeting point between the Central Committee's guidelines and local reality, and implement the Central Committee's principles and policies creatively rather than in a mechanical way. Third, it is necessary to properly handle the relationship between upholding the Central Committee's authority and supporting the work of various departments. Party and government departments at central and local levels must also uphold the authority of the central and local party committees and must not simply equate the requirements set by central departments with Central Committee guidelines. Local party committees and governments must actively support the work of higher-level departments, and higher-level departments must also actively support the work of localities. They must support one another and make joint efforts to uphold the Central Committee's authority.

It is necessary to bring into play the initiative of the central and local authorities. Comrade Xiaoping pointed out: "Macro-control must reflect the Central Committee's authority. The road we have followed over the past few years is a correct one, and now is the time to sum up experience. If we had not opened up, would we have reached the present scale of economic development? It was against the backdrop of such new conditions that we advocated upholding the Central Committee's authority; macro-control; and the deepening of overall reforms. In the past we managed poverty, but things are different now. We are now heading toward a moderately well-off society and macro-control. We can no longer resort to the methods of difficult

times. Today, the Central Committee only issues instructions and exercises its authority on major issues and on questions of direction." In other words, the Central Committee's authority that we now emphasize is based on the precondition that the grass-roots levels can fully enjoy autonomy and can bring their initiative into play to the fullest extent, while the Central Committee has strong macro-control ability and can fully coordinate the nation's activities as in a chess game. This requires that a reasonable line of demarcation be drawn between the jurisdiction of central and local authorities in economic management, and that corresponding systems which combine power with responsibility be established in the governments at different levels. We must see to it that the mechanisms of self-coordination and self-restraint are brought into play and that each unit assumes its responsibilities. After the promulgation of the decision of the Third Plenary Session of the 14th CPC Central Committee, the Central Committee successively launched reforms in finance, taxation, banking, investment, planning, foreign exchange and foreign trade, and rationally divided the administrative and financial powers of central and local authorities. The implementation of these reform measures not only strengthened the financial muscle and macro-control ability of central authorities, but brought into play the initiative of local authorities. From the central down to the local levels, each level must attend to its own duties and supervise the work of the next lower level. The thing that many local governments find objectionable is the so-called "dictatorship of government ministries" in economic activities, which affects the efficiency of local governments in exercising their economic management power. With dozens of ministries and departments intervening in their work, local governments cannot work well. Thus, it is necessary, by upholding and improving democratic centralism, to effectively resolve the contradictions between the government ministries and the administrative regions and among the government ministries, to straighten out their interrelations, and to create conditions that can fully bring into play the initiative of both central and local authorities.

The Key to Implementing Democratic Centralism Lies With Leading Party and Government Persons

As the common saying goes, systems are both established by and also destroyed by man. In this sense, no matter how good our systems are, they are but a mere scrap of paper without high-quality people to implement them. On the other hand, if our systems are sound and perfect and are implemented to the letter, they not only can provide norms for the thinking, words and deeds of members of leading groups, but can also precipitate

qualitative improvements through training in the strict implementation of various systems.

Whether or not one can practice democratic centralism in an exemplary way should be taken as an important criterion in selecting and promoting top party and government persons. It has been more than one year since my arrival in Hunan. During this time, I have met many leading cadres above the county level. My impression is that they are cadres of a high caliber. On the whole, they are really politically strong cadres of high standards and ability. However, I also feel that while many of them are worthy of promotion, only a few can really shoulder the task of being top party and government persons at the county level. This is because they cannot properly uphold democratic centralism and are not strong enough to lead the whole situation. Top party and government leaders are the cores of leading groups. They must take the lead in implementing democratic centralism. Comrade Xiaoping said at a 7,000-strong rally in 1962: "It is not easy to be a good 'squad leader.' He often comes across things that are very difficult to handle. Do not think that it is easy being a 'squad leader'.... A 'squad leader' has a lot of work to do. No one can really claim that he can take good care of everything.... He has to learn to 'play the piano.'" When the organization department of party committees appraises cadres, particularly when selecting top party and government leaders, it is particularly important that attention is paid to their political quality and their ability to implement democratic centralism. Top party and government leaders should be democratic in their work-style, be good at organization and coordination, and be able to fully bring into play the initiative of his squad members. They should be decisive and good at concentrating the correct views of all quarters. They should also have breadth of vision, be open-minded and generous, and be able to unite with comrades on all sides, including working with comrades who once opposed them.

Top party and government persons above the county level must be brought together to undergo education on democratic centralism. Leading cadres at all levels, particularly top party and government persons above the county level, must conscientiously study the party constitution and the relevant regulations on inner-party political life, refresh their memory of the writings of Chairman Mao and Comrade Deng Xiaoping on democratic centralism, clarify their muddled ideas, increase their understanding of the necessity and importance of upholding democratic centralism, and understand the basic principles and basic knowledge of democratic centralism. They must help newly promoted young cadres understand the basic rules of inner-party political life.

It is necessary to insist on putting democratic centralism on a regular, institutionalized, and procedural basis. While it is true that the current problems in implementing democratic centralism have a lot to do with the quality of our leading cadres, the fact that the institutional development of democratic centralism has lagged behind needs and leaves much to be desired is also an important reason. A good system will make it impossible for bad people to act willfully, while a bad system will make it impossible for good people to do their best. In democratic centralism, some of our systems are not concrete enough. Some of them lack purpose, flexibility, and clearly defined limits, others are overelaborate and difficult to implement, and still others are not suited to the new situation of the development of a market economy. All these urgently require that we take a new stride forward in our institutional development of democratic centralism. It is necessary to organize investigations and studies to analyze the contradictions and problems found in the implementation of democratic centralism. In particular, it is necessary to straighten out relations between collective leadership and personal responsibility and between the party committee and other leading groups at the same level, and draw a clear line of demarcation between power and responsibility. The procedures for the practice of democratic centralism in party committees above the county level mainly involve drawing clear lines of demarcation between the duties of and interrelations between work meetings of secretaries, standing committee meetings, and plenary sessions. As a form of discussion of official business, work meetings of secretaries are necessary in actual work, but they cannot be taken as a decisionmaking process and supersede standing committee meetings in making major decisions. On important issues, decisions should be made only after extensive and democratic discussions at plenary sessions on the basis of discussions at standing committee meetings. Standing committee meetings cannot supersede plenary sessions. Party committees at all levels must also always bear in mind that as the party's fundamental organizational system, democratic centralism must be grasped constantly and implemented through to the end. We cannot grasp democratic centralism only when problems have come to a head. Practice proves that if we only "give it prominence" when problems have come to a head, work will be much more difficult and the effects will not be good.

Hu Sheng Calls Chen Yun Truth-Seeking Model

*HK2308031195 Beijing RENMIN RIBAO in Chinese
20 Jun 95 p 9*

[Article by Hu Sheng (5170 4939): "Comrade Chen Yun Was a Model of Seeking Truth From Facts"]

[FBIS Translated Text] Comrade Chen Yun attached great importance to studying philosophy and methods of thinking. He often admonished comrades around him to pay attention to study in this respect. In 1957, he said to leading comrades in the Ministry of Commerce, "In studying theory, the most important thing is to have a correct method of thinking. Therefore, it is necessary to first study philosophy and the thinking method of correctly observing problems. If one knows nothing about dialectical materialism, one is bound to make mistakes. You are all experienced; the question lies in the thinking method. When the thinking method is not correct, experience cannot be raised to a higher level." In the works of Comrade Chen Yun, similar remarks can be found in many places. Comrade Chen Yun pointed out: "Our method of observing, analyzing, and solving problems is dialectical materialism, that is, seeking truth from facts and proceeding from reality, as Chairman Mao put it." As early as 1942, when Comrade Chen Yun was recuperating in Yanan, he carefully studied Chairman Mao's works and messages, believing that running through them was the basic idea of seeking truth from facts. When reading Comrade Chen Yun's works now, we can also feel that he upheld the basic idea of seeking truth from facts. In handling any problem, he always wanted to get a clear understanding of the facts from all related aspects, linked these facts together for fuller study, and then put forward solutions. He commented about economic problems in December 1978—a critical juncture when reform and opening up had just been introduced: "We must persist in seeking truth from facts, that is, we should find ways to solve problems in light of the realities. First, it is necessary to make the facts clear. This is the key."

Marxists must not only understand but also transform the world; not only should they discover contradictions and see problems in practical life but also be good at solving the contradictions and problems. The party's policies are nothing but principles and policies to solve contradictions and problems in various aspects. The correctness and erroneousness of policies are certainly of great importance. However, in the view of Comrade Chen Yun, the difficult part was to get a clear picture of the situation, not the actual deciding of policies; so long as a clear understanding was gained of a situation, it was not difficult to decide on policies. Therefore, he repeatedly explained in his works such views as: "We

should spend over 90 percent of our time to get a clear understanding of the conditions and use less than 10 percent to decide on policies." Here, "to get a clear understanding of the conditions" includes investigating and understanding the conditions as well as studying the conditions, Comrade Chen Yun sometimes said: "It is necessary to use more than 90 percent of the time to study the conditions" and "all correct policies come from a scientific analysis of the actual conditions." Based on this point of view, Comrade Chen Yun held: "Some comrades are busy every day making this or that decision, but do little to investigate and study the actual conditions. This method of work must be changed."

Comrade Chen Yun said, "The key to proceeding from reality is to proceed from partial reality or from overall reality." One must take an overall view of reality and get a clear understanding of conditions in various aspects; only thus can one be regarded as really proceeding from reality." It is very difficult to do this. Comrade Chen Yun said: "If we make mistakes it is because we fail to do things according to objective reality. However, it does not mean that those who make mistakes have not mastered any facts at all, only that they have taken the partial situation as the overall situation." It seems there is nothing profound in these remarks, yet it indeed comes as a summary of the many bitter experiences of the party at different historical stages.

Comrade Chen Yun believed that, in order to achieve a comprehensive—and not a partial—understanding of the objective world, some methods are needed. He put forward three methods, namely, exchange, comparison, and repetition. Exchange means that one's view of an issue is often limited, while collective discussion, in which people look at things from different angles and those who have different views exchange opinions, is an important method to achieve a comprehensive understanding. He regarded as good comrades those who were good at racking their brains over problems and voicing their views because, no matter whether their opinions were correct or not, they helped achieve a relatively more correct and comprehensive conclusion. Comparison means to compare all different opinions. While discussing problems, making policies or plans, it is necessary to make comparisons in various ways. We should compare the plan under consideration with various other plans, not only comparing it with current ones and past ones but also with those in other countries. Only in this way is it possible to get a clearer understanding of the situation and make a more correct judgment. Repetition means one should not make decisions in too much of a hurry and there should be time for repeated consideration. This is because some seemingly correct decisions might be found to be incorrect or not entirely correct

some time later. Comrade Chen Yun time and again advocated these methods, and from his works it can be seen that he indeed made use of these methods to solve problems and put forward and make policy decisions. Our policies must tally with reality, because only in this way can they push forward or transform the objective world and not lead to a blind action or end in the opposite of what is expected. However it often happens that our understanding does not completely tally with reality or fails to get to the true nature of the matter. This is a contradiction. We must acknowledge this contradiction and adopt necessary methods to gradually turn the partial understanding into overall understanding and the superficial understanding into profound understanding. The exchange, comparison and repetition described by Comrade Chen Yun are such methods. These methods can be said to be a concrete expression of dialectical materialism.

Comrade Chen Yun often said: "Don't just listen to higher-ups or just follow what is written in books. Pay attention to reality." He often inscribed these few characters for other people. This is a basic attitude of Marxist dialectical materialism. The only starting point of our thinking and ideology is practice, and the only criterion to justify whether something is correct or not is practice. The opinions from all sectors must tally with reality and only those that withstand the test of practice should be respected. An opinion should receive respect not simply because it is from higher up. Many correct opinions often come from the broad masses, and the correct opinions of leaders often come from summarizing the masses' correct opinions. Knowledge from books is of course important, but one should not rely merely on knowledge from books to solve problems in practical reality. It is necessary to read books by Confucius and Aristotle, but one must not "just follow what is said in books." With regard to Marxism and the classical works of Marxism, we should not adopt the attitude of "just follow what is said in books" either. The purpose of reading Marxist books is to learn the methods for observing and solving problems. While solving practical problems, it is still necessary to proceed from reality. "Just listening to higher-ups and following what is said in books" is not a Marxist attitude, but, "paying attention to reality" often calls for a cost. This is because the objective reality is both complicated and changeable, and "to pay attention to reality" means making painstaking explorations. There are also some subjective reasons, such as pride, complacency, or consideration of one's personal gain and loss that adversely affect "paying attention to reality." Comrade Chen Yun was a Marxist who persisted in "paying attention to reality" under whatever conditions, even when there was political risk.

Comrade Chen Yun advocated the thinking method of seeking truth from facts and put it into practice. His many reports on practical work left an outstanding impression on people, namely, meticulousness. When he proposed using over 90 percent of the time to get a clear understanding of the concrete conditions, he gave one example: "For instance, to solve the problem of the short supply of pork and to increase the production of pigs, a good job can never be done with an impromptu method without paying attention to the supply of fodder and piglets, to prices, and to whether the masses are willing to raise pigs." At the Second Plenary Session of the Eighth CPC Central Committee called in 1956, he delivered a speech on solving the shortage of pork. In the speech, he first discussed the related situation in all aspects and finally put forward a series of feasible methods. The articles he wrote on solving such practical problems may not be entirely applicable now because the situation has changed but, after reading them, we deeply feel what delays may be caused in work if we are hasty, casual and superficial in tackling the problem. While observing problems meticulously and closely, Comrade Chen Yun also paid attention to the overall situation and to proceeding from the overall situation in order to grasp the reality. For instance, he said: "Since the founding of New China, the major mistakes in economic construction are 'leftist' mistakes. Prior to 1957, the general situation was comparatively good; after 1958, the 'leftist' mistakes became serious. These were the mistakes of the main body." To view the historical reality in such an overall perspective is no doubt very important. After the Third Plenary Session of 11th CPC Central Committee, the party shifted the focus of its work to economic construction, Comrade Chen Yun pointed out: "To seek truth from facts, first, it is necessary to get a clear understanding of the 'facts.' If a clear understanding is not achieved on this problem, nothing can be done well." What were the facts at that time? He said: "There are more than 900 million people, 80 percent of whom are in the countryside. The revolution has been won for 30 years, but there are still beggars. It is imperative to improve lives. We are striving for the four modernizations under such a situation." Obviously, this is a fundamental summary derived after inquiring into conditions in their various aspects. Because Comrade Chen Yun had the strong ability to summarize things, he often could express ideas with unique and simple language that would set people thinking. For instance, he said there would be no stability without agriculture and there would be chaos without grain. Just as Comrade Chen Yun himself put it, he not only did the big accounts but also the small accounts. While doing the small accounts, he was

sober-minded and could see details; while doing the big accounts, he had a far-sighted strategic perspective.

Comrade Chen Yun also attached great importance to changes in actual conditions. When changes took place in the objective conditions, he demanded people not to rest contented with their former understanding of things, but to acquire new understandings in line with reality and propose new methods. In 1956, when the transformation of the ownership of the means of production was basically completed, he repeatedly stressed that, in order to suit the conditions at that time, some changes should be made in the series of methods adopted previously. After the Third Plenary Session of the 11th CPC Central Committee, great changes again took place in China's conditions. At this juncture, Comrade Chen Yun particularly stressed: The scale of economic construction in our country now is much greater than in the past; many effective measures in the past are not applicable any more under the new situation of reform and opening up. This requires us to work hard to learn new things and continuously explore and solve new problems. In a talk given in 1982 reviewing his work in the economic field after the founding of the People's Republic, he summed up as follows: "Because new problems appeared, new ideas came about. Without problems there would be no new ideas." This constitutes a dialectical materialist explanation of the source of new ideas. New ideas are not derived from deep contemplation divorced from reality, but from the study of new situations and from solutions to new problems. Once there are new situations and new problems, there will be new ideas.

In general, everywhere in the works of Comrade Chen Yun one can find how he practiced the thinking of seeking truth from facts, which he took great pains to advocate.

A poet in the past wrote: "Let people look at the Mandarin duck you have embroidered, but never pass them the golden needles." The meaning is that one should show people the beautiful mandarin ducks one embroiders, but should never let them know the secret of the needlework. Comrade Chen Yun was never like this. He not only let people look at the beautiful Mandarin ducks he embroidered, but also taught people the needlework.

It should be noted that, one can never embroider Mandarin ducks without the golden needles. However, even with golden needles, one cannot be sure that one can embroider the beautiful Mandarin ducks. The same holds true for the thinking method. To know that such and such a thinking method is correct does not mean that one can master and use it. Historical experience

has shown that, although people know that they should proceed from reality rather than imagination and that they should view problems multilaterally rather than one-sidedly, yet, due to objective and subjective factors, it is still possible for them to get bogged down in the mistakes of subjectivism and partiality. Comrade Chen Yun once said the following words: "In practical work, it is very difficult not to make mistakes. People who took part in the movement to eliminate counter-revolutionaries and land reform know this. It is easy to write articles about the need to guard against both the 'leftist' and 'rightist' tendency, but it is not easy to put it into practice. Social and economic life is complicated and changeable; it can never be as simple as seeing films." Of course, one should not draw a conclusion from here that it is not important to learn the correct thinking method. The conclusion that should be drawn is: It is not enough to only know what is the correct thinking method, it is necessary to continuously use it in studying the actual situation and solving problems, to temper oneself in the extremely complicated situation and the problems that are extremely difficult to tackle, and in this process to overcome those subjective factors that adversely affect seeking truth from facts. Therefore, we must act as Comrade Chen Yun demanded and follow the example of Comrade Chen Yun and other veteran comrades to earnestly study philosophy as well as methods of thinking.

Supreme Court President on Law Enforcement

HK2408083295 Beijing LIAOWANG in Chinese
No. 29, 17 Jul 95 pp 4-5

[Interview with Supreme Court President Ren Jianxin by unidentified staff reporter; date, place not given: "Strictly Enforce Law and Defend Authority of State Legal System — Interviewing Ren Jianxin, Member of Central Secretariat and Secretary of Central Commission of Politics and Law"]

[FBIS Translated Text] On the occasion of the formal implementation of the "PRC Judge Law," this LIAOWANG reporter interviewed Ren Jianxin, secretary of the CPC Central Committee's Secretariat, secretary of the Central Commission of Politics and Law, and president of the Supreme People's Court, on questions including implementing the "Judge Law" by people's courts at all levels, comprehensively strengthening the ranks of judges, improving the overall qualities of judges, strictly enforcing the law, and earnestly defending the authority and unification of the country's legal system.

Great Significance of Implementation of "Judge Law"

Ren Jianxin said that the "PRC Judge Law" officially came into effect on 1 July 1995. It is China's first important law that comprehensively and systematically prescribes the judge system. It constitutes an important measure for the major reform of the court's cadre and personnel system, and for transforming and improving the judicial system. It is also an important milestone in establishing a socialist judicial system with Chinese characteristics. The implementation of the judge law, which is a great event of the people's courts, as well as in the building and development of China's socialist democracy and legal system, will be of both great immediate and far-reaching historic significance to strengthening the building of the ranks of judges, improving their overall quality, ensuring the judicial duties performed by judges, guaranteeing the judicial authority exercised by the people's courts according to the Constitution and the law, upgrading the quality and efficiency of judicial work, and promoting the all-round development of court work.

Work To Maintain Social Stability Earnestly and Well

China's situation is good overall, Ren Jianxin pointed out. The situation is characterized by political stability and economic prosperity. Marked progress has been made in the major reform of establishing a socialist market economy; China has opened the door wider to the outside world; the economy is developing in a sustained, rapid, and healthy manner; and the broad ranks of the people are living and working in peace and contentment. However, we should be soberly aware that factors affecting social stability have increased noticeably, and the tasks of maintaining stability have become more arduous. We must remain sober-minded; seek unity of thought; correctly handle the relations among reform, development, and stability; strengthen leadership in connection with the reality of judicial work; and cooperate closely with the relevant departments to do work in all fields related to maintenance of stability earnestly and well.

First, it is necessary to correctly handle the contradictions among the people and to settle in an appropriate manner all kinds of disputes that crop up in the course of deepening reform. Leaders of courts at all levels should proceed from the overall situation of maintaining stability, and should fully understand the extreme importance of correctly handling contradictions among the people. All judicial work must serve the maintenance of stability. It is necessary to strictly follow the laws, seriously differentiate the nature of cases, resolutely punish crim-

inal offenses, fairly and promptly handle civil and administrative disputes according to law, punish lawless behavior, and protect legitimate rights. It is necessary to further improve judicial style, show concern for the masses' well-being, step up efforts to handle disputes involving the masses' vital interests, do persuasion work well, resolve problems, and promptly mitigate contradictions. We should do appeal work earnestly and well, and should handle collective appeal cases in an appropriate manner as quickly as possible.

Second, adhere to the principle of "sternly cracking down on criminal offenses" and maintain good social order. In the first quarter of this year, the major criminal cases placed on file for investigation by public security organs nationwide increased by 11.5 percent over the same period last year. Courts throughout the country handled 113,935 criminal cases, an increase of 5.88 percent over the previous year. The central authorities have urged politics and law departments at all levels to resolutely implement the principle of sternly cracking down on criminal offenses that seriously harm social order, and to correct the problems of inefficiency in law enforcement. In connection with the social order of the localities concerned, courts at all levels should cooperate closely with public security and procuratorial organs; further enhance efforts to "crack down on criminal offenses"; attack triad-related gangs and violence that seriously harm social order and to which the masses have reacted strongly, as well as on those using arms to commit crimes; and resolutely check the rising crime trend. It is necessary to further implement the measures for improving social order, step up efforts to prevent and reduce criminal offenses, and bring about a favorable turn in social order.

Third, sternly punish serious economic offenders and deepen the anticorruption struggle. This is also an important measure for maintaining stability. The number of economic cases handled by the people's courts since the beginning of this year has continued to increase. In the first quarter, the courts handled 11,306 economic cases, an increase of 14.95 percent over the same period last year. Sentences were meted out against 4,405 economic cases involving over 10,000 yuan each, an increase of 17.8 percent over the corresponding period last year. A total of nine department- and bureau-level cadres, and 63 county section-level cadres were punished. Despite the new progress made in the fight against economic crime, offenses in this field remained serious, so the tasks of the people's courts in this respect are still arduous. This year, in particular, the party and people have set higher demands in terms of the contents, measures, and achievements of the anticorruption struggle. Courts at all levels should further deepen their understanding,

follow the central authorities' plans on deepening the anticorruption struggle, step up efforts to try economic cases, and thoroughly handle cases and mete out punishments according to law, irrespective of the position of the offenders involved.

The new types of crimes, including financial swindles, gaining tax reimbursement for exports by cheating, and trading in counterfeit currency, have been striking recently, seriously damaging state interests, economic construction, reform and opening up, and social stability. The CPC Central Committee and State Council recently launched a special struggle on sternly cracking down on the crime of gaining tax reimbursement for exports by cheating. Under the leadership of party committees, courts at all levels should adopt forceful measures to resolutely attack all sorts of crimes that undermine socialist economic order; severely punish offenders; and ensure the smooth progress of reform, opening up, and economic construction.

Ren Jianxin stressed that courts at all levels should continue to attach great importance to, and step up efforts to try important and major cases. Looking at the first half of the year, all localities focused their attention on handling and trying the major important and major cases, and have attained some achievements. However, there are still some problems: Some courts have failed to handle influential cases promptly, and little progress has been made. Severe punishments that should have been meted out in some cases have not been handed down. Serious efforts should be made to seek improvement in this regard. In the latter half of the year, a number of important and major cases will be placed on file for investigation and prosecution. Courts at all levels should strengthen leadership and should organize work meticulously. Principal leaders should take up cases and grasp them personally, and should do judicial work well.

Apply Judicial Means To Ensure Smooth Progress of Macroeconomic Regulation and Control

In view of the situation and problems in current economic operations, Ren Jianxin said, the state will further strengthen macroeconomic regulation and control in the near future so as to ensure the normal growth of China's economy. Leading comrades of courts at all levels must understand and consider problems from the overall situation of the country's economic construction, do judicial work well, vigorously apply judicial means to ensure the smooth implementation of the state's macroeconomic regulation and control measures, and promote economic development. At present, it is particularly necessary to take note of trying all sorts of cases related to the state's macroeconomic regulation and control measures. We should carefully try the cases concerning dis-

putes over farm produce purchase and marketing contracts, and disputes arising from the manufacture, transportation, and marketing of farm production materials; crack down on and punish the lawless activities of cheating peasants; ensure that the legitimate rights and interests of the broad ranks of peasants are not encroached upon; and promote the development of agriculture and the rural economy. Under the party committee's leadership, it is necessary to vigorously cooperate with departments concerned; try cases involving disputes over enterprise bankruptcies, mergers, and debts in an appropriate manner and in strict accordance with the law; ensure and promote enterprise reform; make good use of funds; develop production; and increase efficiency. It is necessary to try according to law cases involving tax imposition and price hikes; to supervise and support the functions performed by administrative organs in light of the law; and to ensure the legitimate rights and interests of citizens and of corporate, and other organizations. We should further strengthen judicial work related to cases involving intellectual property rights; punish the lawless behavior that infringes intellectual property rights; protect according to law the legitimate rights and interests of scientific research units, scientists and technicians, and inventors; turn scientific research achievements into productive forces; and offer effective judicial guarantees for the revitalization of the country with science and technology, and for the constant development of foreign trade and the economy.

Further Enforce Law

To better accomplish judicial tasks, Ren Jianxin called for further enforcement of the law. It is necessary to strictly enforce the law and judicial discipline, to standardize judicial order, to ensure that the law is followed in all links of law enforcement, to resolutely eliminate interference from local and departmental protectionism, and to earnestly safeguard the authority and unification of the state's legal system. If state laws cannot be followed strictly, the implementation of decrees will be out of the question. If the problems of unfair judgment and law enforcement cannot be effectively corrected in a number of localities, it will seriously damage the dignity of the socialist legal system, the masses' legitimate rights, and the prestige of the party and state. It should be pointed out in particular that local and departmental protectionism in law enforcement in the economic field is extremely harmful to the establishment of a unified and open socialist market economic order where competition is carried out on an equal footing. Besides undermining the state's overall interests and the people's fundamental interests, it ultimately will damage the long-term interests of the localities. We must resolutely and thoroughly eliminate local and departmental

protectionism, which is tantamount to narrow departmental selfishness and sectarianism, and is in essence, enlarged individualism.

It is necessary to enhance judicial supervision. The Supreme Court and Supreme Procuratorate should promptly discover and resolutely correct problems that crop up in judicial work, and should ensure strict enforcement of the law and equitable judgment. We should increase efficiency in the handling of cases, and should never let the delay in judicial work adversely effect on economic development. It is necessary to pay full attention to the trial of important and major economic, civil, and administrative cases. Now most courts at various levels have attached importance to major criminal cases, and have placed this work on their agendas. However, they have failed to attach due importance to the major economic, civil, and administrative cases. The major economic, civil, and administrative cases, which cover much ground, are influential cases that attract mass and social attention. If these cases are not handled promptly and appropriately, they can easily become hot issues, and even lead to disputes. For this reason, while trying important and major cases, the higher-level courts should strengthen guidance and supervision, like handling important and major criminal cases. Regarding difficult and special cases, it is necessary to invite authoritative experts and scholars to serve as jurors. The opinions of relevant experts should be solicited for certain cases. The courts at the higher level should promptly try influential cases that lower-level courts have difficulties trying and about which the masses are concerned; ensure that the cases are handled justly as soon as possible and in light of the law; and attain better social effects.

Strengthen the Building of the Ranks of Judges

To do court work well, said Ren Jianxin, it is necessary to have a contingent that is politically firm and professionally competent, upright in style, and free from corruption. The ranks of the courts are good overall. Courts at all levels have had marked success in stepping up trial work on the one hand, and paying attention to building their ranks on the other. A large number of advanced units and individuals have emerged from the courts. At the same time, we should be aware that there are still problems in the ranks of the courts, some of which are relatively serious. Taking the opportunity of implementing the "Judge Law," we should further strengthen the building of the ranks of the courts. It is necessary to enhance the ideological and political building of leading bodies of the courts, and to continuously improve the political qualities and legal professional level of leading cadres. We should run a clean administration, step up

efforts to enforce judicial discipline and improve judicial style, run the courts strictly, punish lawless behavior sternly, and eliminate corrupt elements promptly. It is necessary to strengthen the education and training of judicial staff, earnestly train those incumbent judges who are unqualified or not totally qualified so that they can meet the requirements stipulated in the "Judge Law" within the prescribed time, and remove from office or transfer to other posts those who still cannot meet the requirements after having undergone training. It is necessary to strengthen scientific management of the ranks of the courts, to strictly implement the provisions of the "Judge Law" on the requirements for judges, to seriously guard the pass, and never to allow those who are not qualified to become judges. In light of the "Judge Law" requirements, it is necessary to follow the law and exercise management over examinations, assessment, promotion, rewards, and punishments for judges; further establish and improve the regulations; and improve management.

SEZ Office Director Hu Ping Inspects Hubei

SK2408112295 Wuhan Hubei People's Radio Network in Mandarin 1000 GMT 22 Aug 95

[FBIS Translated Text] A few days ago Hu Ping, director of the special economic zones office under the State Council, inspected Shiyan and Xiangfan's opening-up and development work. He was accompanied by Zhang Hongxiang, vice governor of the Hubei Provincial government. He also held talks with Jia Zhijie, secretary of the provincial party committee, and Jiang Zhuping, governor of the provincial government.

After highly praising Hubei's opening-up and development, Hu Ping said: Hubei occupies a vanguard position in terms of opening-up and development when compared with the entire country's inland provinces. It has also done a fairly good job in managing the open zones.

Hu Ping inspected Shiyan and Xiangfan's opening-up and development work and also visited and inspected four development zones and more than 10 enterprises, including the economic and technological zones of Shiyan and (Bailang), the Wudang Shan tourist economic zone, and the vehicle enterprise of Xiangfan, and state-level new high-tech enterprises. He heard the respective work reports delivered by the Shiyan and Xiangfan city party committees and governments and the Dongfeng Vehicle Group Company.

Hu Ping fully affirmed the ways of taking advantageous industries as backing to make development with their own money and on an expanding basis and to bring their functions into play, which were adopted by the

enterprises attached to Shiyan, (Bailang), and Xiangfan, and also by the four development zones.

He stressed: Development zones are the outcome of reform and opening up. These new things with exuberant vitality will exist for a long time. Development zones have great prospects.

He pointed out: The central and western areas must immediately open to the outside world and achieve development. While opening to the outside world and achieving development, the central and western areas must not ignore the functions of the eastern coastal areas. Now, the state has definite industrial policies, creating good conditions for opening the central and western areas to the outside world and developing these areas. The central and western areas are (?very different from) the eastern coastal ones in terms of (?outlay), transportation, natural resources, markets, and skilled persons. They are also different in terms of opening up, development, and regional policies. In opening to the outside world and developing, the central and western areas should coordinate industrial policies with regional policies and take the path of closely linking the opening of their industries to the outside world with regional opening-up and regional development.

He said that Hubei, which connects the central areas with the western areas, has prominent regional and industrial advantages, natural resources, and skilled persons. It possesses good conditions for opening to the outside world.

He hoped that Shiyan and Xiangyan could successfully pioneer the opening of the central and western areas to the outside world.

Zhang Hongxiang, vice governor of the provincial government, urged that these four development zones should persist in conducting reform and achieving development with their own money, achieving development to promote their opening to the outside world, and relying on themselves to achieve development, and should not turn their eyes on the preferential policies of the higher levels.

'Hardliners' To Check Taiwan Independence Force
HK2408050295 Hong Kong PING KUO JIH PAO
in Chinese 24 Aug 95 p a14

[Report: "Mainland Chinese Military Is Determined To Prevent Taiwan Independence by Force, Will Attack Taiwan Vessels and Aircraft Entering Maneuver Area"]

[FBIS Translated Text] According to a Beijing source, mainland Chinese military hardliners are determined to check the flood of Taiwan independence by force. An authoritative well-informed source disclosed that all

naval and air force troops participating in the second East China Sea military exercise received orders that any Taiwan military aircraft or naval vessel entering the designated maneuver area be downed or sunk without exception during the course of the exercise.

At the same time, the mainland Air Force's Jian-8 fighters based in coastal areas along the East China Sea also received orders to be ready to participate in the exercise on further orders. Jian-8 fighters are the most advanced and powerful aircraft on the mainland today.

It has been learned that because the series of radical speeches made by Taiwan's Li Teng-hui during his visit to the United States had irritated the mainland's military hardliners to their great emotional excitement, the mainland's decision-making top echelon has currently reached unanimity in its thinking on "protecting Taiwan by force." Even the Ministry of Foreign Affairs and the State Council's Taiwan Affairs Office, which were all for the principle of "peaceful reunification," have expressed their position. The military hardliners put it more explicitly: they would stop Taiwan independence at the cost of war.

The source disclosed that the military had already made arrangements for continuously increasing the military pressure on Taiwan in the days to come, including the possibility of launching offensives at Chinmen [Jinmen] and Machu [Mazhu] when necessary.

The source said that at present, the focus of concern of the mainland's decision-making top echelon is on Taiwan's presidential election to be held early next year. The top echelon believes that should Li Teng-hui be elected, he inevitably will guide Taiwan on the way to Taiwan independence. Such being the case, they cherish great hope that some figure other than the main current school of the Kuomintang will win in the election.

It has been learned that related departments on the mainland already have formulated an initial plan. Should some figure other than the current main school of the Kuomintang take office, the mainland authorities will immediately announce a series of coordinating actions, including inviting the president-elect to hold high-ranking cross-strait talks, and making an open commitment on refraining from the resort to force against Taiwan with conditions, one of which is precisely the imperativeness for Taiwan's openly guaranteeing that it will give up Taiwan independence.

Beijing's Perception of Li Teng-hui

HK2408053295 Hong Kong HSIN PAO (HONG KONG ECONOMIC JOURNAL) in Chinese
18 Aug 95 p 23

["Beijing Political Situation" column by Jen Hui-wen (0117 1979 2429) written in Beijing on 16 August 1995: "Communist China Cherishes No Illusions About Li Teng-hui"]

[FBIS Translated Text] Following the six-day surface-to-surface missile test in an area north of Taiwan from 21 to 26 July, the People's Liberation Army (PLA) announced that it would conduct another missile and artillery test with live ammunition in a sea area and air space north of Taiwan from 15 to 25 August. Military experts in Beijing believe that the PLA's two military exercises can, in a sense, be regarded as normal military training, but in essence they reveal that the PLA has both the determination and the capability to defend China's territory and sovereignty. The military exercises serve to sternly warn the Taiwan authorities to return to the "one China" position and principle, mend their ways, and put the overall national interest above everything else. Taiwan must earnestly negotiate with the mainland on the reunification issue before the across-strait relations can be improved.

Why Was the Military Exercise Conducted on a Bigger and Bigger Scale?

According to a Beijing source, the second military exercise was conducted on a bigger scale than the first. The code of the missile test conducted in late July is "95-Ziqiang"; 95 is short for 1995 while "Ziqiang" means making unremitting efforts to improve oneself. The symbolic implication is similar to "Long March," which was used to name the rocket. The military exercise was conducted by the third division of the 2d Artillery Corps directly under the Central Military Commission, rather than by the three armed services. The code of the missile and artillery test with live ammunition conducted in late August is "95-Zizhu [autonomy]." It is a full-readiness military exercise mainly participated in by the East China Sea Fleet, the Naval Air Force, and the 2d Artillery Corps. The size of the test site is about one-sixth the size of Taiwan, so the exercise is a simulation of blockading Taiwan.

According to a report, the CPC is also preparing for military exercises on the battle array of warships, joint landing attack by the three armed services, and forced landing. In late July, an air drill was conducted in Nanjing to enhance citizens' awareness of the importance of defense and of preparing against war.

It was Li Teng-hui's U.S. visit, which changed the covert campaign for "Taiwan independence" into an overt one, that directly led to the CPC's consecutive military exercises, which were conducted on an ever larger scale. The military exercises also gave vent to the mainland's anger over Taiwan's arbitrary killing of mainland fishermen over the last few years. The deep-rooted reason for the military exercises, however, was Li Teng-hui's policy of "two China's" or "one China, one Taiwan" pursued over the last few years. Li has gone so far along the path of "Taiwan independence" that the CPC no longer cherishes any illusions about him.

The Jointly Signed "Four Commentaries" Reflects the Hierarchy's Position

The source said: By the eve of the Spring Festival this year, the CPC's efforts had been mainly designed to draw Li Teng-hui over to its side. In his "eight-point proposal" published on 30 January, Jiang Zemin sincerely called on the Taiwan authorities to hold talks on reunification. Instead of giving a positive response to the proposal, Li regarded the proposal as a "peace overture" and got so bloated during his visit to the United States as to thoroughly expose his "actual desire to seek Taiwan independence in the name of striving for reunification." As a result, the CPC cast away all illusions about him. This can be seen clearly from the "four commentaries" on "Li Teng-hui's Speech at Cornell University" jointly written by RENMIN RIBAO and XINHUA commentators and carried by RENMIN RIBAO from 23 to 26 July and the "four commentaries" on "Li Teng-hui's Words and Deeds Concerning 'Taiwan Independence'" by XINHUA commentators published from 2 to 8 August. The fourth jointly signed commentary pointed out clearly: "The facts have proved that looking to Li Teng-hui, who 'does not know what China is like,' to improve and develop cross-strait relations amounts to climbing a tree to catch fish. The people throughout China must not cherish any illusions about Li Teng-hui." This reflects the very serious official stance on the matter!

People might fail to take note of the fact: RENMIN RIBAO is the CPC's official newspaper, while XINHUA is a state news agency directly under the State Council. Articles by RENMIN RIBAO commentators usually mirror the CPC hierarchy's view and position on major events, so it is more important than ordinary commentaries or signed articles, as is the article by XINHUA commentators. Usually, the two most authoritative media units on the mainland do not publish articles jointly written by their commentators. This is because the commentary published in the name of a RENMIN

RIBAO or XINHUA commentator already carries great weight, and naturally any commentary written jointly by commentators from the two media units carries greater weight. This is the fourth time since the founding of the PRC that jointly signed articles by RENMIN RIBAO and XINHUA commentators have been published (the previous jointly signed articles were published in the 1950's, when the War to Resist U.S. Aggression and Aid Korea broke out, and in the 1960's, when the CPC and the Communist Party of the Soviet Union broke off relations and China supported Vietnam in its fight against U.S. aggression). This undoubtedly served to announce on behalf of the CPC Central Committee and the State Council that they no longer cherish illusions about or pin hopes on Li Teng-hui. So even if Li were to propose holding peace talks, the CPC certainly would not agree.

Military Pressure and Media Campaign Shocked Taiwan

The source added: The "four jointly signed commentaries" and XINHUA's "four commentaries," which were directed at Li Teng-hui, justifiably revealed Li in his true colors as an advocate of "Taiwan independence." In the meantime, the commentaries separated Li Teng-hui from Taiwan compatriots, Taiwan businessmen, and the Taiwan authorities, and separated the faction favoring unification from the faction favoring independence in the Kuomintang in an attempt to encourage Taiwan people and Kuomintang members supporting the "one China" policy and "peaceful reunification" to come out against Li Teng-hui, who campaigns for "Taiwan independence."

People in Beijing political circles believe that the CPC's media campaign (namely the eight commentaries mentioned above) and military pressure have shocked Taiwan a great deal. Taiwan looks relaxed externally and is nervous internally. Taiwan authorities look fierce as a bull, but are riddled with crises. Li Teng-hui's biggest headache is that many mid- and high-level officers in the Taiwan Army, who were previously skeptical about Li's foreign policy and his position on reunification, are greatly dissatisfied with Li's recent military muscle flexing, which irritated the CPC, thus resulting in a strong aversion for war. Following the CPC's missile tests, reports are rife in the Taiwan Army that the troops will not defend Taiwan once the mainland and Taiwan come to blows if Li Teng-hui does not take specific action against the forces favoring "Taiwan independence" and if he continues to make a show of force and confront the mainland. This reveals that, affected by the Kuomintang's opposition to "Taiwan independence" over the last several decades,

Taiwan troops' political orientation is quite different from Li's policy. In addition, Kuomintang elders and other figures who are of noble character and high prestige — including Chiang Wei-kuo, Hao Po-tsun, Hsu Li-nung, Lin Yang-kang, and Sung Chih-chang — recently have criticized Li in turn, calling on the two sides to hold political talks as soon as possible, and thus further isolating Li. This is exactly what the CPC hopes to see.

The CPC concentrated its fire on Li Teng-hui and published the "four jointly signed commentaries" while conducting missile tests. All this, people in Beijing's political circles believe, was meant to also send a message to the United States: The CPC has cast off illusions about Li Teng-hui, but still exercises restraint on the United States. The United States is expected not to continue supporting Li in his campaign for the creation of "two China's"; otherwise, Sino-U.S. relations will regress further if the CPC comments on Sino-U.S. ties in the same way.

Police Detain Dissident Ding Zilin, Husband

BK2408062295 Hong Kong AFP in English
0606 GMT 24 Aug 95

[FBIS Transcribed Text] Beijing, Aug 24 (AFP) — Chinese police have detained dissident intellectual Ding Zilin and her husband in the eastern city of Wuxi amid fears that she planned to attend the upcoming World Women's Conference, a human rights group said.

The US-based Human Rights in China, in a statement received here by fax Thursday, said relatives had been unable to obtain any information on Ding and Jiang Peikun since they were picked up on August 18 in their Jiangsu Province hometown by police sent from Beijing.

The couple, who had been in Wuxi for a month to resolve some contractual snags on a house they are building, were detained for "economic problems," the statement said.

It said the authorities had mistakenly thought Ding, a 56-year-old professor at the People's University, planned to attend the Fourth World Women's Conference, which begins here next week, after hearing that she was to return to the capital.

"Ding Zilin had no intention of attending the World Women's Conference," it said, adding that she had in fact planned to go back to Wuxi before the event began, after arranging financial support for the families of some 1989 Tiananmen Massacre victims.

Ding lost her son when troops violently suppressed pro-democracy demonstrations and has since worked to create an informal support network for victims' families.

"Human Rights in China strongly protests the Chinese Government's persecution of the relatives of June 4 victims and demands that it release Ding and her husband immediately and unconditionally," the faxed statement said.

Fellow intellectual Xu Liangying confirmed by telephone that Ding had not considered attending the women's conference.

"The conference has nothing to do with her. It's only the government that has made a connection by detaining her," said the 75-year-old professor, who also expressed surprise at the charge of "economic problems."

"In recent years, Ding hasn't even made any money so how can she have economic problems. It's just an excuse," he said.

Ensuring that the women's conference does not degenerate into a critique of the communist authorities' human rights record has become one of the chief concerns of the government in the run-up to the event.

The Foreign Ministry said Tuesday it would deny visas to any foreign delegates of the conference's non-governmental organisation forum whom it deemed to be a "security" threat.

Tong Zeng Told To Leave

HK2408064795 Hong Kong SOUTH CHINA MORNING POST in English 24 Aug 95 p 8

[By Zhang Weiguo]

[FBIS Transcribed Text] Two human rights activists have been detained, effectively barring them from organising activities at the NGO [nongovernmental organization] forum.

Ding Zilin, a professor at the People's University, and her husband, Jiang Peikun, were arrested last Saturday in Jiangsu province where they were visiting, sources said yesterday.

Authorities feared they would launch protests during the forum, to begin on Wednesday in Huairou.

Ms Ding, whose son was killed in the June 4 Beijing massacre, has sought a full account of the bloody suppression from Beijing, and voiced human rights concerns.

Meanwhile, Tong Zeng, a leader of a compensation campaign for victims of World War II, has been given an ultimatum to leave Beijing by Saturday.

Mr Tong said yesterday that he would defy government pressure and try to attend the forum.

Security forces and the Civil Affairs Ministry previously told him that he must leave Beijing during the meeting or face heavy surveillance. The ministry bought him a plane ticket to visit Guangxi province 1,800 kilometres to the south for three weeks starting today.

Mr Tong said he wrote to officials telling them he would not leave.

He said he learned that three of the Politburo Standing Committee members had given orders concerning his case, but the central leaders did not say he had to leave Beijing.

According to Mr Tong high-level ministry officials told him that the leaders reproached the Public Security Bureau for breaking up a news conference he held on August 7 and said Mr Tong should be left to do his work.

But, Mr Tong said, the ministry has not relented.

The researcher at a ministry think-tank said the Government earlier named him as a delegate to a forum discussion on women forced to serve as prostitutes during World War II.

"I certainly am not interfering with Beijing's social order," Mr Tong said. "I won't hold marches or demonstrate, but I will go to Huairou to take part in the meeting."

Article Looks Toward Fifth Plenary Session

HK2308054295 Hong Kong CHING PAO in Chinese 5 Jul 95 No 7, pp 27-29

[Article by Ye Tan (6851 3389): "CPC Decides Top Item on Fifth Plenary Session Agenda, Focus of Anti-Corruption Struggle Moves Towards Those Holding Big Power"]

[FBIS Translated Text] Top Items Determined for the Fifth Plenary Session's Agenda

On 30 December 1990, the Seventh Plenary Session of the 13th CPC Central Committee put forward the "Proposal of the CPC Central Committee for Formulating the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development." It has been five years since then. This year is the last year for implementing the Eighth Five-Year Plan, while the success of the "10-year program" hinges entirely on the Ninth Five-Year Plan, which is still being formulated. This will prove to be China's last leap forward—"the leap of a carp over the Dragon Gate"—in this century. What China can achieve at the present stage will be of decisive significance to whether the country can realize the goal of "quadrupling the 1980 GNP (in terms of

constant prices) and bringing its people a fairly comfortable life by the end of this century," a topic that has been stressed over and over by Deng Xiaoping in recent years, and to whether the country can successfully fulfill the tasks set for the 20th century and get off to a good start in the 21st century.

At the present moment, the top item on the agenda of the Fifth Plenary Session of the 14th CPC Central Committee, which will convene this autumn, is to formulate the Ninth Five-Year Plan (1996-2000) and a long-term program for the national economic and social development between now and 2010, which will be submitted next March to the National People's Congress for examination and approval. Therefore, the Fifth Plenary Session of the 14th CPC Central Committee has proved to be of major concern to both the CPC leadership and the masses at the grassroots level, and also the focus of attention for all descendants of the Yan and Huang emperors living abroad as well as people in other parts of the world.

Eight Major Changes Have Taken Place Since the Implementation of the Eighth Five-Year Plan

Analysts here believe that new developments have been registered since the Eighth Five-Year Plan was adopted. Let us just call them the "eight major changes." 1) At its 14th national congress held in 1992, the CPC set targets for establishing a socialist market economic structure (while the Eighth Five-Year Plan aimed at building up a "planned commodity economy"). 2) Corresponding decisions have been made on deepening the country's economic reform and introducing a modern enterprise system. 3) A new orientation has been set for reforming the financial and banking system. 4) Reform has been carried out on the tax system which centers around the revenue-sharing system. 5) The pace of price reform has been accelerated. 6) The central authorities have increased the weight of macroeconomic control and regulation (especially since 1993). 7) A great number of new measures have been adopted to curb inflation. 8) The recent national science and technology conference has put forward in explicit terms the strategy of "rejuvenating the country by applying scientific and technological advances." Of the eight major changes, some are linked with preceding ideas, while others are new developments; some are ideas that have been incorporated into the Eighth Five-Year Plan, while others are newly added components. Therefore, all these changes have proved to be only the cornerstone for formulating both the Ninth Five-Year Plan and the long-term program for the development between the present and the year 2010.

Eight Ideas Are Embraced in the Ninth Five-Year Plan

Preparations for the Fifth Plenary Session are currently underway. All functional departments and organs involved in economic work are studying and putting forward their measures for the reference of policy-making bodies. The general concept on deepening reform during the Ninth Five-Year Plan period, which was recently put forward on behalf of the State Commission for Restructuring the Economy by Zhang Haoruo, the commission's deputy head, has provided us with a glimpse of the overall framework of the Ninth Five-Year Plan. It has been revealed that the general concept reads "establishing a new structure and handling eight issues well." First, efforts should be made to reinforce market mechanisms and improve regulation and control at the macro level. Second, positive steps must be taken to accelerate development of the publicly owned economy, while continued efforts should be made to encourage the growth of individual, private, and foreign-funded economies. Third, it is imperative to speed up the establishment of the modern enterprise system; rationalize relations between the government, financial departments, banks, and state-run enterprises; and abolish—through institutional government reform—the practice by which government departments are given the power to manage the affairs of professional organs (i.e., no more "mother-in-laws"). Fourth, a new social security structure should be set up during the Ninth Five-Year Plan, with the focus on establishing old-age, medical, and unemployment insurance systems. Fifth, in line with the principle of giving priority to the efficient while taking fairness into account, we should strive to rationalize relations of social income distribution, build a mechanism for individual income growth that mainly depends on market supply and demand and economic efficiency, and establish a system for regulating individual income which is mainly featured by taxation. Sixth, strides should be taken to accelerate the reform and opening up of the central and western parts of the country and speed up the development of backward areas and regions. Seventh, it is important to deepen rural reform, adapt agriculture to the needs of the market economy, and ensure that the country's agricultural sector can advance along the road of marketization, diversification, and urbanization. Eighth, steps should be taken to enable China's domestic economy and the world economy to act as supplements to each other.

Three Key Issues of the Ninth Five-Year Plan

People of insight believe that among the numerous problems China is facing today, the following three issues should be the focus of attention.

The first major issue is to pay close attention to agriculture. It is imperative to ensure stable growth of grain, cotton, and other agricultural production, thus laying a solid foundation for boosting the country's overall economic development and improving people's living standards during the Ninth Five-Year Plan period. As the Chinese saying goes: "Food is the people's first necessity." Another old saying reads: "Grain in hand can set one's mind at rest." The CPC's senior statesman Chen Yun also made a well-known remark: "Without jobs, there is no affluence; without grain, there is no stability." However, China's backward agriculture has always been a drag on the national economy, and the recent rise in grain prices has inevitably pushed up the prices of household necessities, including foodstuffs, clothing, and other commodities of everyday use. Backward agricultural development and crop failures in particular have been the root cause of runaway inflation in recent years. Although the "10-year program" called for efforts to boost grain output to two heights, namely 450 million metric tons and 500 million metric tons, mainland China's total grain output dropped last year, standing at just 444.5 million metric tons. As a result, even if the target of 450 million metric tons set in the Eighth Five-Year Plan can be met this year, grain output must increase by another 50 million metric tons (that is, 50 billion kg) by the end of the Ninth Five-Year Plan period. This has proven to be an extremely arduous task. On the other hand, the total acreage of arable land is dropping every year. Statistics have shown that during the 29 years between 1957 and 1986, the country's net loss of farmland totalled 230 million mu; however, the year 1994 alone witnessed a loss of as much as 6 million mu. According to estimates of relevant departments on the basis of the current needs of economic development, within the next six years there will be a further loss of 54 million mu of farmland, and this will reduce the country's total grain output by another 14.5 million jin. Meanwhile, China's population is growing by 15-16 million each year. Under such grim circumstances, **agriculture will certainly be made a major topic for discussion at the Fifth Plenary Session.** Where is the fundamental way out for China's agriculture? Besides reinforcing management over land use, vigorously rectifying the order of land requisitions in development zones, and firmly ordering the return of farmland that has been left to waste since it was requisitioned, the country should also devote great efforts to promoting and spreading agrotechniques and to increasing agricultural output by mainly relying on scientific and technological advances. Analyses have showed that the newly increased output value produced by agrotechniques has accounted for about 35 percent of the country's total agricultural output value. The target put forward recently by Premier

Li Peng is that the country will strive for a 50-percent increase in total agricultural output value by the end of this century. To make this a reality, it seems that the CPC still needs to have greater determination and take bigger steps in order to incorporate this target into the Ninth Five-Year Plan.

The second major issue is to establish a modern enterprise system. It is important to help state-run large- and medium-size enterprises extricate themselves from the present difficult situation, promote industries' technological progress, and readjust and optimize the country's industrial structure. In short, efforts should be made to improve "five major bottlenecks" and reinforce the "four major pillars." The former refers to efforts to reinforce the construction of basic facilities and industries of water conservancy, transportation, telecommunications, energy, and key raw and semi-finished materials with a view to further easing their "bottleneck" restrictions on the country's economic development. The latter means that while optimizing the industrial structure, we should invigorate the machine-building and electronics, petrochemical, automobile manufacturing, and construction industries, turning them into the national economy's four pillar industries. Corresponding policies should also be adopted to extend necessary material support and preferential treatment to these industries. **It has been learned that the Fifth Plenary Session will come out with a policy decision on this issue.**

The third major issue is to implement the strategy of "rejuvenating the country by applying scientific and technological advances." Deng Xiaoping's idea that "science and technology constitute the primary productive force" and the strategy of "rejuvenating the country by applying scientific and technological advances" will run through both the Ninth Five-Year Plan and the long-term program for development between now and 2010. Detailed measures will be drawn up to ensure that the development of science and technology as well as education can be given first priority in social development, and also ensure that steps are taken to implement the principle of developing our economy by applying scientific and technological advances and improving laborers' quality. **It has been learned that the Fifth Plenary Session will further reaffirm the positive results of the national science and technology conference, officially establish the strategy of "rejuvenating the country by applying scientific and technological advances," and draw out corresponding policy decisions.**

Party Building and Anti-Corruption Campaign To Be Discussed Again at the Fifth Plenary Session

A stable and orderly society is an objective guarantee for successfully fulfilling the Ninth Five-Year Plan. Yet such stability hinges on the people's will. What are the major concerns of the common people on the mainland today, and what do they resent most? In my opinion, first, they are concerned about commodity prices and resentful of today's runaway inflation; and second, they are concerned about building a clean and honest government and resentful of the fact that the anti-corruption campaign is conducted as a mere formality. **Considering the current situation, relevant sources believe that the Fifth Plenary Session will also take major steps to enforce party and government discipline, and combat corruption, and encourage honesty.**

The Fifth Plenary Session is expected to determine the nature of the case of Chen Xitong—the first major case since the founding of New China in which a high-ranking CPC official has accepted the blame and resigned. According to reliable sources, following Chen Xitong's resignation, the CPC Central Committee sent him, together with his family, to Beidaihe so that he could reflect on his problems while resting. Another source also claimed that Chen has been instructed to leave the summer resort of Beidaihe for another place, where he is expected to await the conclusion of his case. Rumor has it that of the two younger brothers of Wang Baosen, who committed suicide not long ago, one has been arrested while the other is still on the run from the authorities. The details of the Wang Baosen case are becoming increasingly clear. It seems that the Chen Xitong case is not simply one in which he failed to correct Wang Baosen's wrongdoings as his immediate superior, but one in which Chen Xitong himself has also sunk deep into the quagmire of error. Stories say that a huge amount of renminbi has been recovered from the house of one of Chen's little "honeys" (mistresses). Another source has also revealed that a senior CPC leader has written an eight-character comment on Chen Xitong's case that reads "acting imperiously and despotically, and forming a clique to pursue selfish interests." Chen Xitong's imperiousness was notorious. His defiance of central authorities' decisions and persistence in having his own way during the approval process for the construction of "Dongfang Square" [Oriental Plaza, a Beijing commercial development funded by Hong Kong's Li Ka-shing], which stands right next to Tiananmen Square, is clear evidence. Regarding Chen's malpractice of forming a clique, the "Changping faction" in Beijing was known to all. Many of the principal officials of the former Beijing municipal party committee and government

came from Chen's birthplace of Changping County, on the outskirts of Beijing. For example, Chen insisted on making Zhao director of the Beijing Municipal Public Security Bureau. However, his recommendation was finally rejected by the Ministry of Public Security, and Zhao was switched to the post of party committee secretary of the municipal public security bureau. It was with Zhao's consent that Wang Baosen gained access to the pistol he used to take his own life. Other examples show that a Yang, a standing committee member and head of the organizational department of the municipal party committee that had power over personnel matters, also came from Changping. A Wang who was Chen's former secretary was promoted to the post of deputy secretary-general of the municipal party committee. Chen Jian, a second private secretary of the municipal party committee who has been placed under arrest, was promoted by Chen to the post of deputy director of the general office of the municipal party committee, in violation of rules. These are all queer things never heard of before! **It looks imminent that the Fifth Plenary Session will thoroughly expose the wrongdoings of Chen Xitong, and then expel him from the Political Bureau of the CPC Central Committee through democratic procedures.**

According to statistics released by mainland supervisory departments, the country investigated a total of 56,000 people for corruption and bribery charges last year, only six of whom were officials at the provincial and ministerial level. However, facts have shown that principal and high-ranking officials have been involved in most of the country's big and serious cases. Therefore, signs have shown that *the Fifth Plenary Session will reiterate in explicit terms that the anti-corruption campaign should continue focusing on major and serious cases, and that thoroughgoing investigations must be carried out into corruption and bribery cases regardless of the seniority or position of those involved. We must get to the bottom of these cases, and we will not stop until we reach our goal. To do this, it is inevitable that the focus of the crackdown campaign shift from lawbreakers at the grass-roots level to those holding great power at higher levels, thus directing the firepower towards criminals among principal party and government officials.*

The Fifth Plenary Session of the 14th CPC Central Committee will prove to be the focus of people's attention. We all have high expectations for the meeting, and hope that it will turn out to be a pragmatic and highly efficient one that can give continued impetus to the rapid development of reform and opening up.

Surplus 'Commodity Housing Space' Sits Idle*OW2408101495 Beijing XINHUA in English
0956 GMT 24 Aug 95***[FBIS Transcribed Text] Beijing, August 24 (XINHUA)**

— By the end of 1994 there were 32.89 million sq m of commodity housing space still waiting for buyers in China.

Such housing space accounted for 9.9 percent of the total amount of commodity housing built from 1992 to 1994, according to statistics released by the real estate department of the Ministry of Construction.

Of this idle housing, 70.1 percent was residential housing, 6.3 percent was villas and luxury apartments, 5.8 percent was office space and 12.2 percent was for business use.

Hebei, Liaoning, Zhejiang, Fujian, Henan, Hubei, Guangdong and Sichuan provinces, and Shanghai each had such idle housing covering an area of more than one million sq m.

It cost 804 yuan (about 97 US dollars) per sq m to build such housing in China in 1994, so there was about 25 billion yuan of such investment in this sector of the real estate business.

TV Produces Documentary on Anti-Japanese War*SK2408110295 Beijing XINHUA Domestic Service
in Chinese 1639 GMT 21 Aug 95*

[FBIS Translated Text] Beijing, 21 Aug (XINHUA) — To mark the 50th anniversary of the triumph in the anti-Japanese war and the world's antifascism war, the large-scale television series "Victory," jointly produced by the party's History Research Center of the CPC Central Committee and the China Central Television Station [CCTV], will be broadcast as the first program of the CCTV starting on 25 August in the evening at prime time.

"Victory," a 16-part series, is a panoramic large-scale work showing the Chinese people and the people of the whole world fighting against invasion. With the rich and accurate historical data and the lively interviews with people such as Bo Yibo, Xiao Ke, Zhang Aiping, and Li Moan, the film reproduced the historical picture in which the Chinese people united, rose to fight, and achieved success amid the flames of war. The film gave prominence to the indomitable national spirit of the people of China and the mainstay role played by the CPC and the People's Armed Forces it led. It systematically exposed the crime committed by the Japanese imperialism of invading China, and sang the praises of martyrs and heroes who gave their lives for the survival and liberation of the people.

To shoot the precious on location shots and to tap more historical data, the filming group visited more than 20 provinces, autonomous regions, and municipalities throughout the whole country, and countries such as the United States, Japan, Russia, Thailand, the Philippines, and Singapore. The filming group interviewed tens of persons concerned, who are still living and in good health. It involved people from all walks of life abroad.

NPC Drafts Decision on VAT-Related Crimes*SK2408043295 Beijing XINHUA Domestic Service
in Chinese 1904 GMT 23 Aug 95*

[FBIS Translated Text] Beijing, 23 Aug (XINHUA) — The 15th standing committee meeting of the Eighth National People's Congress [NPC] began to examine the draft decision of the NPC Standing Committee on punishing the crimes of forging, falsifying, and issuing for others special value-added tax [VAT] receipts.

Entrusted by the chairmanship meeting, Gu Angran, chairman of the legal work committee of the NPC Standing Committee, gave an explanation at today's standing committee meeting concerning the draft decision on punishing the forgery, falsification, and issuance for others of the special value-added tax receipts.

Gu Angran said: China reformed the tax system and adopted the value-added tax in 1994. By forging, falsifying, and issuing for others special value-added tax receipts, some unlawful elements have been engaged in tax evasion, defrauding of state property, and other criminal activities to seriously undermine the state's tax revenue and endanger the tax reform, thus causing tremendous losses to the state. To safeguard the state's tax collection order and ensure the smooth progress in the tax reform, the legal work committee of the NPC Standing Committee and the State General Administration of Taxation have investigated and studied some new conditions on using the special value-added tax receipts to commit crimes; heard the opinions of tax departments, courts, procuratorates, public security departments and law experts; solicited the opinions of various provinces, autonomous regions, and municipalities; and drawn up the draft decision on punishing the crimes of forging, falsifying, and issuing for others special value-added tax receipts.

Gu Angran stated: The draft decision focuses on punishing the serious crimes in forging, falsifying, and issuing for others special value-added tax receipts, and maps out specific regulations on relevant crimes. Punishments are specified according to the offenses and consequences of such crimes. According to the regulations, by forging, falsifying, and issuing for others special value-added tax receipts, people who defraud the state of a tremendous

amount of property, whose offenses are absolutely vile and who cause extraordinary serious losses to state interests may be sentenced to life imprisonment or death. The draft decision raises the longest legal prison sentence of five years, as stipulated in the criminal law, to 15 years for the personnel of tax organizations who neglect their duties, abuse power, engage themselves in malpractice, and knowingly issue the special value-added tax receipts to the people who are not legally qualified to have the receipts, thus causing extraordinary serious losses to state interests. Tax organization personnel who collude with criminal elements to falsify and issue value-added tax receipts for others shall be viewed as accomplices and punished accordingly.

Science & Technology

Column Views China's Recent Nuclear Tests

HK2408015095 Hong Kong TA KUNG PAO
in Chinese 19 Aug 95 p A5

["Political Talk" column by Shih Chun-yu (2457 0689 3768): "Why China Was Forced To Conduct Limited Nuclear Tests"]

[FBIS Translated Text] It Is Necessary To Understand China's Position First

On 17 August, the Chinese Foreign Ministry spokesman confirmed that China had conducted an underground nuclear test that day. This was the second nuclear test this year; the previous one was conducted on 15 May.

The Chinese Government also solemnly reiterated the following points:

1. China has consistently shown great restraint in nuclear testing, and has conducted only a limited number of nuclear tests.
2. China stands for the complete prohibition and thorough destruction of nuclear weapons. Its possession of a small number of nuclear weapons is solely for the purpose of self-defense, and poses no threat to any other country. China has unilaterally committed itself not to be the first to use nuclear weapons at any time or under any circumstances, and not to use or threaten to use nuclear weapons against nuclear-free countries or regions.
3. China calls on other nuclear states to respond enthusiastically to its proposal to hold immediate talks to conclude a treaty forbidding use of nuclear weapons against each other.
4. China will stop nuclear tests in 1996, when the treaty on the complete prohibition of nuclear tests comes into force.

As long as one carefully reads China's statement regarding its stance on nuclear weapons, he will not be surprised or alarmed at China's nuclear tests.

China has consistently urged the United States and other nuclear superpowers to sign a treaty prohibiting the use of nuclear weapons, but the United States has refused to accept China's proposal. The dark designs they cherish can only be imagined.

Foreign Media Lashed Out at China Over the Nuclear Test

Japan and a number of other Asian and Oceanian countries lashed out at China over the nuclear test. Japanese Foreign Minister Yohei Kono summoned Chinese Ambassador Xu Donxin to lodge a sharp protest against China's nuclear test. He also threatened to review Japan's gratis aid to China. A number of Japanese people also held a demonstration in front of the Chinese Embassy, saying that China's nuclear test was an "atrocious." This reminded us of wartime Japanese militarists, who described Japanese military aggression against China as "suppressing riots." It should be pointed out that Okinawa is now the U.S. biggest nuclear base in Asia. This nuclear base will launch nuclear attacks once anything unusual happens. As the United States and Japan have signed a treaty of security and mutual assistance, can China afford to lower its guard?

We sympathize with the Japanese people in their sufferings from the disasters brought about by atomic bombs, but China has conducted limited nuclear tests purely for the purpose of self defense and breaking the nuclear monopoly by the United States and the former Soviet Union. China was forced to do so. For China, nuclear tests are necessary. It is the U.S. policy of military expansion, under which the United States has resorted to nuclear blackmail everywhere, that is to blame.

The Greatest Nuclear Threat Comes From the United States

Before the Cold War was over, the United States and the former Soviet Union, which built up large stockpiles of nuclear weapons that could destroy the earth several hundred times, blackmailed everywhere. While blocking China in collusion with the "ASEAN" countries, Australia, and New Zealand, the United States tried to use nuclear weapons against China on several occasions during the Korean and Vietnam wars. When Khrushchev and Brezhnev were in power in the former Soviet Union, they also threatened China with nuclear weapons and tried to perform a "nuclear operation" on China, gaining the initiative by striking first. These

nuclear superpowers did not hesitate to blackmail China until China broke their nuclear monopoly.

When the Cold War was over, talks should have been held to reach an agreement to suspend nuclear tests and destroy all nuclear weapons. However, the United States and Russia each will have 3,000 strategic nuclear warheads, even when they have accomplished the second-stage nuclear disarmament. It is these nuclear warheads that pose the greatest threat to world peace.

It should be pointed out that some people in the United States presently advocate blockading and isolating China. Recently, *TIME* carried a special article and the UK's *ECONOMIST* an editorial, each advocating blockading China and unfoundedly accusing China of "posing a threat" to its neighboring countries. These two articles surely mean something.

The hysterical Western media campaign against China's missile tests in the Taiwan Strait and against the limited underground nuclear tests China has to accomplish before the international treaty banning nuclear tests come into force next year can only fool those people who are unaware of the truth.

It was because China firmly stood on its own, firmly abided by its own socialist system, and continued to seek unification with Taiwan that the United States decided to be hard on China by inviting Li Teng-hui to visit. If China did not possess certain nuclear strength to defend itself, how could it confront the world's nuclear superpower?

'Large Afforestation Campaign' Success Reported

OW2408085795 Beijing XINHUA in English
0744 GMT 24 Aug 95

[FBIS Transcribed Text] Hohhot, August 24 (XINHUA) — A large afforestation campaign to improve the ecology in north China, known as the "Shelter Belt Project in North China", is underway and is already bringing economic benefits.

The "Green Wall" runs 4,480 km from northwestern and northern China to the northeast, covering an area of 4 million square kilometers, or about 42.4 percent of China's landscape.

These places are some of the poorest areas in China, exposed to adverse weather conditions, such as sandstorms, drought, and soil erosion.

Bayar, a local herdsman who was forced to leave his home because of a sandstorm that covered large areas of pastureland, came back and began to rebuild his home by planting trees and sowing grass in line with the campaign.

His pastureland now has a new look, and more than 50 hectares of forest belt can successfully withstand sand storms, and the grassland yields 250,000 kg of hay and 30,000 kg of forage, more than enough to feed his 1,350 head of sheep, 120 head of cattle, and some 30 horses.

Since the project began, in 1978, Bayar's hometown, the county suffering the worst ecological deterioration in Inner Mongolia, has created 230,000 hectares of forests and sown 100,000 hectares of grassland.

Officials say that a total of 15 million hectares of forests have been created over the past 17 years, with a survival rate of over 85 percent. More than 11 million hectares of farmland have been sheltered by the forests, while grain output increased by 10 to 30 percent.

Resown desert grassland amounts to 8.9 million ha, increasing grass output by more than 20 percent, and 7.3 million ha of water eroded farmland have been improved, reducing by 10 percent the amount of sand washed into the Yellow River.

It has also brought 30 percent of the desert land under control.

The grand project is expected to be completed by the year of 2050.

Military & Public Security

PLA Will 'Safeguard' Territorial Integrity

OW2408112495 Beijing XINHUA in English
1057 GMT 24 Aug 95

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — The Chinese People's Liberation Army (PLA) will never sit idly when a single inch of territory is split off China, PLA Chief of Staff Zhang Wannian said here today.

Safeguarding the unity of China and the security of its people is a sacred mission for the Chinese army, Zhang said at a ceremony for the release of a new book titled *Record of the War of Resistance Against Japanese Aggression* held here today.

The PLA resolutely opposes foreign forces' interference in China's internal affairs, infringing on China's territorial integrity and sovereignty, and sabotaging the unity of China and its fundamental interests, and opposes all attempts to create "Two Chinas" or "One China, One Taiwan", the general said.

The PLA is determined to safeguard the sovereignty and territorial integrity of the nation, he emphasized.

The Communist Party of China (CPC) is the core of the Chinese nation, and patriotism is a strong spiritual support and source of strength for national unity.

The Communist-led people's army is a decisive force in resisting aggression and defending national unity. It faces new historical tasks in the period of reform, opening to the outside world, and developing a socialist market economy.

The PLA will improve its quality, increase combat readiness, and provide security for the country's economic reforms and modernization drive, he said.

Military Aircraft Deployed to Coastal Airports

HK2408022995 Hong Kong LIEN HO PAO
in Chinese 19 Aug 95 p 8

[Dispatch from Hong Kong by specially appointed reporter Wen Hsien-shen (2429 3807 3234): "Fighters, Attackers Stationed at Air Force Bases Along Coastal Fujian and Zhejiang"]

[FBIS Translated Text] The mainland's military exercise in the East China Sea has entered its fourth day. According to Hong Kong visitors who returned from their tour of Fujian and Zhejiang, large numbers of "fighters" and "attackers" are stationed at coastal Air Force bases. Some of the fighters are loaded with missiles on both flanks, and with fuel tanks at the center, which indicates that they are ready for exercise and combat.

As Fujian's Fuzhou Airport and Zhejiang's Jianqiao Airport can be used for both military and civilian purposes, the witnesses disclosed, passengers passing these areas can see for themselves the large numbers of aircraft on the tarmac. Air-to-air "Jian-7" aircraft are parked at the Fuzhou Airport, while "Qiang-5" air-to-ground and air-to-sea jets are parked at Jianqiao Airport. Dozens of aircraft are parked in array on the open tarmac, where anyone passing by can clearly see them. Probably because of the limited number of fortresses in these bases, it may be a show of strength.

Mainland China's current military exercise is being carried out on the East China Sea, near the boundaries of Fujian and Zhejiang, so the bases there will either participate in or support the military exercise. According to Hong Kong witnesses who returned from Zhejiang today, there are at least 50 aircraft parked along the runway and nearby areas of Jianqiao Airport, of which the fronts of most aircraft are covered with tarpaulins. Some five jets are loaded with missiles and fuel tanks, and these probably are rapid reaction jets.

According to descriptions by the witnesses, the "Qiang-5's" they saw at Jianqiao Airport have the capability of attacking both sea and land targets, which makes them precisely the aircraft required by mainland China for attacking naval targets in the current military exercise in the East China Sea. Although the "Qiang-5's" speed

is slower than that of the "Jian-7," the "Qiang-5" is more powerful in attacking surface and selected targets.

The witnesses said that they saw more than 25 "Qiang-5's" parked along the runway, with another 25 nearby. Only a few belonged to the Jian-7 fighter series.

When the witnesses asked local officials, the reply was that they were not familiar with the military operation. As the airport can be used for both military and civilian purposes, the parking of military aircraft is by no means unusual. Some Taiwan businessmen investing in those areas said that the tense cross-strait relations inevitably will cast a shadow on their investment in the southeast coastal areas.

Mainland Exercises Try To Pressure Li Teng-hui

HK2408071795 Hong Kong LIEN HO PAO
in Chinese 24 Aug 95 p 1

[Report from Hong Kong by staff reporter: "Second Wave of Exercises Fails To Attain Expected Objectives, Beijing Makes Follow-Up Plans To Exert Pressure"]

[FBIS Translated Text] The ongoing second military exercise in the East China Sea is a routine exercise conducted by the armed forces garrisoned in Fujian. It also constitutes part of a series of this year's military exercises. In coordination, the CPC has launched a media attack against Li Teng-hui in order to exert influence on Taiwan's public and attain the objective of suppressing and overthrowing Li Teng-hui.

A source from the mainland disclosed that those participating in the current live ammunition drill are the ground forces of the 81st Group Army and naval forces of the Sanduao Base of the Donghai Fleet. The other two army-level units in Fujian, the 8th Air Force and the provincial military district, as well as the Fujian reserve forces also have dispatched troops to join the exercise. As various arms and services have appeared in public at the same time, one can see soldiers and military aircraft and vessels everywhere in Fujian.

This is actually a normal scheduled exercise, but the CPC cooperated with the XINHUA commentaries in attacking Li Teng-hui, which presented the effects of armed threat. According to the source, it is biased for foreign reports to say that the current military exercise is the result of Jiang Zemin, CPC general secretary and chairman of the Central Military Commission, yielding to pressure from the military. It is true that the military intends to increase pressure on Taiwan and has even asked for the restoration of the Fuzhou Military Region. However, Jiang Zemin also wants to exert pressure on Taiwan in order to express his discontent at the negative response from Taiwan to his "eight-point proposal."

Earlier this year, Jiang Zemin proposed holding talks to end cross-strait hostilities, but Li Teng-hui ignored his proposal. This naturally has led to Jiang's consideration of exerting pressure on Taiwan.

The source disclosed that the mainland was confused by Taiwan's reaction to the CPC's missile drill conducted last month: On the one hand, stock prices dropped sharply, which indicated that popular confidence was shaken. On the other, Li Teng-hui's popularity rose to over 80 percent. At the same time, the Southeast Asian nations also expressed their worries over the "theory of China's threat." For this reason, the CPC ended the drill ahead of schedule and issued only four of five planned articles criticizing Li Teng-hui's speech at Cornell University. After an evaluation of the first military exercise, the mainland started its second exercise as usual to further assess reaction from Taiwan and other countries. The mainland also intended to apply influence over Taiwan's stock market and popular feeling so as to increase the pressure on Li Teng-hui.

According to an analysis by the source, the anticipated political target of the second military exercise has not yet been attained. Viewed from the reaction of other countries, particularly the United States and Japan, however, reaction from government and military organizations has been normal, forming a contrast to their reaction to the nuclear test.

On the prospects for mainland's show of military strength, the source said, the planned large-scale combined sea-land-air exercise will be conducted on schedule. Troops from other military regions also will join the exercise. However, such military exercises and domestic media attacks alone are not enough to influence Taiwan's situation and resume cross-strait talks. It is estimated that further action will be taken, but the specific plans will be made after the conclusion and evaluation of the entire military exercise.

Tianjin Officials Visit Army Units

*SK2408053895 Tianjin TIANJIN RIBAO in Chinese
27 Jul 95 p 1*

[FBIS Translated Text] On 26 July, the leading comrades of the municipal party committee, the standing committee of the municipal people's congress, the municipal government, the municipal Chinese People's Political Consultative Conference [CPPCC], and the persons in charge from the relevant departments were divided into five groups and went deep down to districts and counties to visit the offices and men of People's Liberation Army [PLA] units and the armed police forces, and comforted the family members of the revolutionary martyrs. They also held forums marking the 68th

anniversary of the establishment of the PLA. During the forums, the Army units and localities relived the relationship between the Army and the people, which are as inseparable as fish and water. In reviewing the work of double support of the new stage, they held that they would take further steps to strengthen the relationship between the Army, the government, and the people, and make greater contributions to developing social productive forces, upgrading the combat capability of the Army, and enhancing Tianjin's reform, opening up, and building of the two civilizations.

On the morning of 26 July, Gao Dezhan, secretary of the party committee; Zheng Zhiying, member and secretary general of the standing committee of the municipal party committee; Lu Xuezheng, vice chairman of the standing committee of the municipal people's congress; and so on went to Hexi district to comfort the Army as well as to participate in the forum of the Army and the localities. During the forum, the representatives from the Army stationed in Hexi district, the persons receiving special care, and the representatives of the disabled servicemen spoke one after another. Together they talked about the lively sight of the Army, the government, and the people allying to fight and to build the two civilizations. They held that they would further achieve success in the work of double support and maintain as well as develop the good situation in which the Army and the people unite to fight. In the forum, Gao Dezhan, on behalf of the municipal party committee, the standing committee of the municipal people's congress, the municipal government, and the municipal CPPCC committee, firstly extended cordial holiday greetings to the Tianjin garrison command, the Tianjin armed police forces, the whole body of officers and men stationed in Tianjin, and the persons receiving special care. He held: The broad masses of the officers and men from the PLA units and the armed police forces have always been an important force in Tianjin's reform, opening, and modernization drive. They played a significant role in all the tasks of reform, development, and stability, and made notable contributions. The results we have gained contain the painstaking efforts of the broad masses of the officers and men from the Army stationed in Tianjin. At present, all the tasks in our municipality maintain a good developing momentum and lay a good foundation for the work in the next half of this year. To accomplish all the targets and tasks of this year, to achieve "two developments and two breakthroughs," and to fulfill the grand goal of developing Tianjin, the most important is that we should unite as well as concentrate the forces of all the quarters, mobilize all the initiatives, work together with one heart, and fight together. This leads to the requirement that we should cherish the unity between the Army, the government,

and the people. It is imperative to continue to conduct the activities of double support throughout the whole municipality in an extensive and profound manner; incessantly deepen our understanding with focus on developing the social productive forces and upgrading the combat capability of the Army; strengthen the whole people's awareness on national defense and on double support; and establish more model districts and counties as well as advanced units in the work of double support. It is imperative to bring into better play the function of our own Army in reform, opening, and modernization drive, and enhance all the tasks whose core is economic construction. Party committees and governments at all levels should, as they always do, concern about the building of the Army, support the work of the Army, and try all the means to assist the Army solve some practical problems. Meanwhile, they should do a good job in giving special care to the disabled serviceman or family members of the revolutionary martyrs by removing their apprehensions and difficulties. It is imperative for us to take further steps to strengthen the work of double support, inherit and carry forward the good tradition that the Army and the people are one family and they are inseparable as fish and water, make greater contributions to develop and rejuvenate Tianjin, build Tianjin into the economic center of northern China and a modernized international harbor city, and achieve new results.

On the morning of 26 July, Zhang Lichang, mayor of the municipal party committee; Pan Yiqing, vice chairman of the municipal people's congress standing committee; and Zhang Guanwen, secretary general of the municipal government, and so on went to the Hedong district to visit part of the Army stationed in Tianjin and representatives of the people receiving special care. They also held a forum to relive the relationship between the Army and the people, which is as inseparable as fish and water, to sincerely solicit everybody's opinions toward the work of the municipal party committee and the municipal government, and to discuss together the important matters of developing and constructing Tianjin. In the forum, the Army stationed in Tianjin, the representatives of the people receiving special care, and the comrades in charge from Hedong district spoke one after another, viewing the scene that has lasted for many years, in which the Army, the government, and the people unite together, strengthen the building of the Army, and construct Tianjin together. They were determined to continue to carry forward the fine tradition, do a better job in Tianjin's work of double support, and make new contributions to consolidate and develop the very good situation of Tianjin. In the forum, Zhang Lichang held: It is proved by practice that achieving success in the unity of the Army, the government, and the people is the foundation as well

as the guarantee for Tianjin to accelerate reform and opening up, to enhance economic development, and to safeguard social stability. The progress and results Tianjin obtained in development and construction in recent years contain the fruits of the unity of the Army, the government, and the people. Reviewing the past, no matter in the urban construction, the key projects, the maintenance of social stability, in the efforts to provide disaster relief, and in the urgent, difficult, dangerous, and heavy tasks for people's lives, there were the painstaking efforts of the officers and men of the Army stationed in Tianjin. You have made outstanding efforts to the development of Tianjin, and the people in Tianjin will remember forever the contributions of the People's Army. Tianjin has the good tradition of the Army, the government, and the people uniting together. It is imperative for all of us to further cherish this tradition, do a good job in this work, and achieve better results with each passing year. Zhang Lichang held: It is the unshirkable responsibility of the local governments to successfully work to support the Army and give special care to their families. It is imperative to attach great importance to the tasks of placing transferred Army cadres, make arrangement for the families of the Army, resolve the difficulties of their children's schooling and employment, and resolve the practical problems of the Army, take down-to-earth and effective measures, and do substantial work for the Army. Zhang Lichang held: At present, Tianjin's situation is good. It is very possible for Tianjin to accelerate development as long as all of us are of one heart and one mind; further strengthen the unity of the Army, the government, and the people; and form the joint forces. The target of building a modern metropolitan international harbor will also definitely be achieved.

On the morning of 26 July, Li Jianguo, deputy secretary of the municipal party committee; and Li Changxing, vice chairman of the municipal CPPCC committee, led the persons in charge from the relevant departments to go to the Jixian County to comfort the Army stationed in Jixian County, revolutionary veterans, revolutionary soldiers, and the family members of the revolutionary martyrs. They also held a forum with the party and governmental leaders of the Jixian County, representatives from the Army, representatives of the people receiving special care. Li Jianguo held: Jixian County is an old revolutionary area with a glorious revolutionary tradition. During the anti-Japanese war, as well as the liberation war, the people of Jixian County made a tremendous contribution. It is imperative to achieve success in the work of double support in a down-to-earth manner since Jixian County has many family members of the revolutionary martyrs, revolutionary disabled soldiers, and people receiving special care; since the Army

stationed in the Jixian County is large; and since Jixian County is situated in a place of crucial importance. In Jixian County, the relationship between the Army and the locality and the relationship between the Army and the people are very good, and Jixian has won the honorable name of model county for double support. I wish Jixian County could base themselves on what it has achieved, promote the work of double support to a new height, and make new contributions to Tianjin's economic construction and social progress.

On the morning of 26 July, Li Shenglin, deputy secretary of the municipal party committee and executive vice mayor, and Huang Yanzhi, vice chairman of the municipal CPPCC committee, led the comrades in charge from the relevant departments to Wuqing County to happily get together with the persons in charge from the Army stationed in Wuqing County, the representatives of the people receiving special care, and the local leaders of the party and the government, to mark the 68th anniversary of the establishment of the PLA. In the forum, the representatives from the Army stationed in Wuqing County and the representatives of the people receiving special care relived the tremendous results of the municipality in reform, opening up, and building of the two civilizations, and extended their gratitude for the concern, support, and assistance from the municipal party committee, the municipal government, people of the whole municipality, and Wuqing County's party committee, government, and people. Li Shenglin held: The Armies stationed in Tianjin regard Tianjin as a second hometown; and, while comprehensively accomplishing the task of military training, they actively supported Tianjin's reform, opening up, and the building of the two civilizations, safeguarded the public security with more initiative, bravely rushed to deal with disasters, made conspicuous contributions, and won the extensive praise and popular support from the people throughout the whole municipality. The municipal party committee, the municipal government, and the people throughout the whole municipality cherish very much the good relationship between the Army, the government, and the people, which was formed through many years. Let us inherit and carry forward the good tradition that the Army and the people are one family and are as inseparable as water and fish; share a common fate; ally together; and make new efforts for Tianjin's reform, development, and stability.

On the morning of 26 July, the leading comrades such as Luo Yuanpeng, member of municipal party committee standing committee and director of the propaganda department; Liu Huigen, secretary general of the standing committee of the municipal people's congress; and Guo Jinhou, secretary general of the municipal government,

went to Tanggu district of the municipality to hold a forum with the party and governmental leaders of that district, the Army stationed there, representatives from the armed police forces, the old demobilized soldiers who joined the Army during the anti-Japanese war, and the representatives of the family members of the revolutionary martyrs, marking the 68th anniversary of the establishment of the Army. Luo Yuanpeng held: The Army stationed in Tanggu made positive contributions to the building of the two civilizations of the whole municipality, especially, in the anticalamity activities of fighting against the waves of the sea, they played a very outstanding role. Tanggu district's work of double support had distinguishing features, and the Tanggu district was evaluated as the model of double support of the whole country two times. He wished that both the Army and the locality would maintain this good tradition, unite the Army and the people, work with one heart and one mind, and achieve greater success in Tianjin's work.

Submarines Get New Inertial Navigation Systems

HK2408054695 Beijing JIEFANGJUN BAO
in Chinese 18 Aug 95 p 1

[Report by Chen Wanjun (7115 8001 6511), and Wang Dexun (3769 1795 8113): "New-Type Submarines Now Have Their Own 'Navigation Stations'"]

[FBIS Translated Text] The last batch of imported navigation guidance equipment installed in China's new-type submarines gradually has been replaced by new-type inertial navigation guidance system of China's own research and production. Now China's new-type submarines boast their own undersea "navigation stations." On the eve of the "1 August" Army Day, the Navy party committee conferred a second class merit on Liu Zhiyu [0491 1807 1342], who has made outstanding contributions to the research and production of this equipment.

Prior to this, navigation guidance equipment relied on first, importation, and second, backward electrically controlled compass and patent log to conduct manual calculations with poor accuracy. The research and production of the new-type submarine inertial navigation guidance equipment was included in the list of national key projects that involved bottleneck-tackling. Liu Zhiyu, the military representative of the navy stationed at a research institute, assisted scientific research personnel, who succeeded in the research and production of the inertial navigation guidance system through long-term efforts. The equipment is up to the world advanced level of products in the same category.

The system provided an accurate positioning foundation for launching the "Asia-I" telecommunications satellite

on 7 April 1990. Later, it provided important guarantees for the launch of the "Australian satellite." In 1993, it was awarded the national first prize for progress in science and technology.

Guided Missile Simulation System Developed

*HK2408021895 Beijing JIEFANGJUN BAO
in Chinese 18 Aug 95 p 1*

[Report by Dong Jushan (5516 5112 1472), and special correspondent He Tianjin (0149 1131 6651): "Second Artillery's Multifunction Strategic Guided Missile Simulation System Comes Into Being"]

[FBIS Translated Text] A "multifunction strategic guided missile simulation training system," possessing the qualities of simulated operation, problem setting, appraisal of results, automatic teaching, and systematic self-checking, recently passed the appraisal of the 2d Artillery's Commission of Science and Technology. Experts believe that the advent of this important accomplishment has opened up a new channel for training strategic guided missile units of the People's Liberation Army, and is of great military and economic effect. The person who took charge of this important scientific research task was none other than a 31-year-old engineer, Ge Shanzeng [5514 1472 1073], of a department under the 2d Artillery.

The construction cost of the equipment of strategic guided missile units is great, and losses and munitions consumed in training are tremendous. For years, intensified training and cutting back the losses and the munitions consumed have been an outstanding contradiction. In recent years, units, institutes and academies under the 2d Artillery have worked hard at the issue, and have scored quite a few results in the manufacturing of simulation equipment for training. Nevertheless, because of their unitary function and the lack of systematic quality and continuity, they could hardly replace physical equipment in operational training with fidelity. For three years, engineer Ge Shanzeng worked hard on the basis of referring to others' experiences, overcame some 100 technological bottlenecks, and eventually succeeded in research-producing the "multifunction strategic guided missiles simulation training system," which is entirely capable of replacing the live equipment of the Army, with its cost less than one-thousandth that of the original equipment.

Artillery Unit Acquires Night-Launch Skills

*HK2408024995 Beijing JIEFANGJUN BAO
in Chinese 16 Aug 95 p 1*

[Report by Wang Sheng (3076 4141) and special correspondent He Tianjin (0149 1131 6651): "Second

Artillery Unit Works Hard To Acquire Night-Launch Skill"]

[FBIS Translated Text] In the pitch darkness at midnight in a mountainous area, four strategic guided-missile launching units that had been under nuclear attack by the "blue army" were scrambling. On their way, they were under the "blue army's" bombardment and harassment. Under the circumstance of damage and loss of their equipment and personnel, they carried out effective nuclear counterattacks on "blue army" targets. That was the scene during the appraisal of reform in night training of a certain unit under the 2d Artillery in early August.

Units under the 2d Artillery are characterized by their abundant equipment and vehicles, with large targets exposed over long duration, which are liable to be discovered and attacked. To strengthen concealment in the operation of strategic guided missile forces, the unit in question has grasped night training under high-tech conditions as the key since training began early this year. On the basis of intensified basic, professional, and collective training, they focused closely on improving combat effectiveness during night action, while increasing the complexity of night training, and firmly grasped night training involving "full crew, complete procedures, and all essentials." At the same time, they transferred efficient personnel from training, equipment, technological, and logistics departments, and formed a research group to study night action tactics. The group analyzed 30 cases of night action in modern warfare, and tackled bottlenecks in connection with strategic guided missile units in night action involving command, liaison telecommunications, equipment operations, operation in weak light, and camouflage, and succeeded in exploring 15 ways of bewildering the "enemy," including "displaying fakes to conceal the genuine, control of light, building fake positions, setting up fake targets, and creating fake heat sources." They succeeded in the research-production, and renovation of 52 kinds of equipment for night training; edited four textbooks on collective tactics in night training; and summarized a number of experiences in night training, including command, coordination, and handling extraordinary situations at night.

On the basis of scoring a number of achievements in reform of night training, the unit in question regarded quick response as the key to exercises in night action, and constantly sent the troops to unfamiliar places to unfold exercises in tactical confrontation in night action based on live operational procedures, and conducted repeated studies and exercises in such topics as how to recover combat effectiveness as quickly as possible in the case of sudden "enemy" nuclear attack, bridge breakdowns, damage of equipment, loss of personnel, damage to position, and how launch and rear supply

units are to implement fast maneuvers at night so as to temper the troops to acquire never-failing launching skill. Today, as soon as an order is given, the unit is

able to implement night maneuvers and to deal telling blows at "enemy" targets.

General

Li Ruihuan Urges Help for 'Poverty-Hit' Areas

OW2408093595 Beijing XINHUA in English
0915 GMT 24 Aug 95

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — Li Ruihuan, a senior Chinese leader, has stressed here that it is necessary to encourage and support non-state-run enterprises in China to help more poverty-hit areas and areas inhabited by ethnic groups to improve their economy and living standard.

Li Ruihuan, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) and Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), made the remarks when he met recently with members of a delegation of non-governmental entrepreneurs, which had just made surveys in Tibet to look for ways to help Tibet Autonomous Region.

The delegation, organized by the United Front Work Department of the CPC Central committee and All-China Federation of Industry and Commerce, made the survey tour just before the 30th anniversary of the founding of the Tibet Autonomous Region scheduled on September 1.

More than 20 entrepreneurs from private businesses in 15 provinces, autonomous regions and municipalities stayed in Tibet for half a month and signed aid-the-poor cooperation agreements with a total value of 400 million yuan, and donated equipment of various kinds valued at 2.8 million yuan.

Li congratulated the delegation on its achievements obtained during the recent trip to Tibet and expressed heartfelt thanks to the delegation for their efforts for promote the development in Tibet.

Tibet has made remarkable progress since it was liberated decades ago, but due to special geographical and historical conditions, the plateau is still relatively poor compared with most other parts of the country, said Li.

"Quicker development of Tibet certainly lies in efforts made by residents of all ethnic groups in Tibet, as well as support from the central government, and aid from all other parts of the country," the CPPCC chairman said, adding that the delegation's actions have set a good example for other parts of the society to help Tibet in a creative way.

Private business has been developing fast across the country since 1978 when China adopted a policy of allowing long-term co-existence of diverse economic elements, with the public ownership as the mainstay,

and has become an important part of China's socialist market economy.

Li reassured the delegation that the policy, as an important achievement and a basic part of the country's reform and opening-up policy, will be adhered to for a long time and will remain unchanged.

He called on private businessmen who have become prosperous first to do more for economic progress in the country's poverty-stricken areas, including helping them explore local resources, start new businesses, and train personnel.

The CPPCC chairman also said that it is necessary to advocate the Chinese nation's traditional virtue of helping the poor and being benevolent, and make a careful summing up of outstanding deeds of private entrepreneurs to help others, with the purpose of attracting more people to take part in the glorious cause of helping the poor.

He added that successful work in this regard would be of great significance for non-state-run businesses to correctly understand themselves, and for helping the whole society better understand such non-governmental businesses, with public ownership as the main body.

SETCO Minister on Reforming Enterprises

HK2308051395 Hong Kong WEN WEI PO in Chinese
5 Jun 95 p A3

["Exclusive Interview" with Wang Zhongyu, minister of State Economic and Trade Commission, by staff reporters Liu Yongbi (0491 3057 4310) and Yang Fan (2799 1581) in Beijing; date not given: "Reform of State Enterprises Has Entered New Stage"]

[FBIS Translated Text] Beijing, 4 June (WEN WEI PO)—Since state-run enterprises occupy a dominant position in China's national economy and are playing a decisive role in both China's economic development and the establishment of a socialist market economic structure, the process of state enterprise reform has become the focus of people's attention both at home and abroad. During a recent period, some people have developed the view that no significant moves have been taken recently in state enterprise reform. When asked for his comments on this view during an interview with this newspaper, Wang Zhongyu, minister of the State Economic and Trade Commission, noted that with a clearly defined orientation and targets, state enterprise reform is entering a new phase of implementation which requires carefully designed plans and down-to-earth efforts.

The Reform Can Be Basically Divided Into Two Phases

The 14th party congress set the target of basically establishing a socialist market economic structure in China by 2000, while the Third Plenary Session of the 14th CPC Central Committee further clarified the concept that the establishment of a modern enterprise system is the orientation of the enterprise reform. Based on the assumption that a modern enterprise system can be basically set up in China by the end of this century, we can see that China has six years to do the job, starting this year. During these six years, said Wang Zhongyu, the reform of state enterprises can be basically divided into two phases. The first phase is between 1995 and 1996, during which the main task is to carry out experiments with reform, spread experiences gained from pilot projects, and strive to make breakthroughs in coordinative reforms. From 1997 to 2000, the focus of the second phase will be to sum up experience, consolidate and upgrade what we have achieved in reform, and improve rules and regulations and gradually put them into practice. Of course, we cannot completely separate the work of the two phases, yet we have to lay particular stress on different issues during different phases.

Today, not only the orientation, target, and basic concept of the state enterprise reform have become more distinct, but detailed contents and implementation steps have also been worked out for the recent period. Wang Zhongyu told these reporters that the State Council relayed on 6 March this year the "Suggestion Concerning the Implementation of Work To Deepen Enterprise Reform and To Run Well State Large and Medium Enterprises" raised by the State Economic and Trade Commission. This suggestion serves as an important basis for deepening the reform of large and medium-sized state enterprises, which basically includes all the basic contents of the state enterprise reform that is currently underway.

It has been learned that the "Suggestion" summarizes the main contents of the state enterprise reform as the following 11 tasks: 1) Attention will be paid to conducting experiments with the establishment of a modern enterprise system; 2) continued efforts will be made to run well 56 enterprise groups as well as other pilot projects approved by the State Council; 3) forces will be organized to experiment with an optimized capital structure of enterprises in several selected cities; 4) continued steps will be taken to implement the "Regulations on Changing the Operating Mechanism of Enterprises Owned by the Whole People" and "Regulations Concerning the Supervision of State Assets" issued by the State Council; 5) earnest measures

will be adopted to improve the internal management of enterprises; 6) more funds will be raised for the production and operation of state enterprises through various channels; 7) efforts will be made to integrate reform with development; 8) necessary measures will be worked out to help state enterprises solve such problems as operating at a loss, failing to pay amounts due, and shouldering excessive debt burdens; 9) provide more guidance for state enterprises concerning their strategic structural readjustments; 10) steps will be taken to explore ways to resettle surplus personnel of state enterprises; and 11) efforts will be made to change the functions of the government.

The Content of the Reform Is Clearly Defined

Wang Zhongyu noted: These 11 tasks have served to clearly define the contents and implementation steps of the state enterprise reform during the recent period. Success in fulfilling all 11 tasks will certainly bring tangible results to the state enterprise reform. Yet, he also admitted that it is impossible to complete the work within one or two years, for it takes a certain period of time and needs to undergo a certain process. The task for the present moment is to ensure the implementation in a careful and down-to-earth manner in line with the requirements of the above 11 tasks and in the light of actual conditions.

As a matter of fact, the State Economic and Trade Commission has done a great deal in this aspect. Ever since it was appointed by the State Council last November to take charge of enterprise reform, the State Economic and Trade Commission has never slowed down its pace in guiding the reform. First of all, together with relevant departments, the State Economic and Trade Commission called a national work conference on experimenting with the modern enterprise system in the name of the State Council in November last year. Then, the commission opened training courses on pilot schemes of the modern enterprise system in Shanghai and Beijing respectively in December last year and January this year. In February this year, the commission called a national work conference on enterprise management; in March, together with the Central Party School and the Organization Department of the CPC Central Commission, the commission opened a "study session for provincial and ministerial-level leading cadres in charge of the enterprise reform"; and in April, the commission held a work conference for 56 enterprise groups. The most recent move was the on-the-site work meeting held on 8-11 May for experimental units with the modern enterprise system and 18 pilot cities with the optimization of assets structure. From this we can see that by linking one task with another, the State Economic and Trade Com-

mission has successfully pushed forward its work step by step.

Enterprises of all provinces and municipalities across the country have also engaged themselves in the enterprise reform in an orderly way. In particular, positive results have been attained in the work of optimizing the assets structure of 18 pilot cities since the second half of last year.

Meanwhile, after concluding their training in January this year, the 100 pilot enterprises with the establishment of a modern enterprise system have begun to formulate their own plans for experiments, which will be put into effect after examination and approval from the higher authorities. According to the schedule, experiments with the establishment of a modern enterprise reform, which are to be carried out simultaneously with reforms in other fields, are expected to conclude within the first half of this year.

Four Issues Must Be Handled Well

While reaffirming the results of the reform, Wang Zhongyu also stressed the need to handle well the following four issues:

1. In establishing a modern enterprise system, we must understand that the four contents of the system, namely "clearly defined property rights and responsibilities, separate functions of the government and enterprises, and scientific management," are an organic whole and should not be cut apart. Problems related to property rights are the focus of the experiments, yet solutions to such problems are still in an experimental stage and cannot possibly be put into practice in other enterprises.
2. Since enterprises vary from one another in actual conditions, we should not impose uniformity when carrying out enterprise reform. We should employ different methods to deal with different situations and provide guidance for different units according to their actual conditions. One major task in invigorating state enterprises is to uphold the principle of "three changes and one reinforcement."
3. The enterprise reform should be carried out in a coordinated way, and simultaneous attention must be paid to promoting the reform, reorganization, transformation, and management of enterprises.
4. We should attach great importance to the management of enterprises. Opposing the idea of setting reform against management, Wang Zhongyu believed that reform and management are consistent with each other and are mutually complementary, for the management level can only be enhanced during the process of re-

form while the results of reform can only be consolidated through means of management. He noted that all economically efficient enterprises are those which enjoy good management, though it has become a common scene in the country that many state enterprises are poorly managed and operate at a loss. The national work conference on enterprise management held last February has brought the matter to the attention of all provinces and municipalities, and some improvements can therefore be expected in this aspect in the future.

Creation of Other Special Zones Viewed

HK2308020395 Hong Kong CHING CHI TAO PAO
in Chinese 24 Jul 95 No 2429, p 16

[From "China Economic News" column: "China Considers Opening Up New Special Economic Zones in Central Region"]

[FBIS Translated Text] The State Council's Special Economic Zones Office reportedly holds that, when the special economic zones [SEZs] in the southeastern coastal region have played their internal functions to a certain extent, it is necessary to open up several new SEZs in the central region. At a suitable time, some localities with the necessary favorable conditions in Hunan, Hubei, Anhui, and Henan will be chosen as SEZs.

The development of the central region can stimulate the development of real estate, bring the national economy to a new, high degree of development, and create more brilliant deeds than the coastal region. The new SEZs do not have to undertake the function of pilot reform zones as a special form of external ties, but will take on more the function of a radiating source.

Researcher Notes Role of Special Economic Zones

HK2408025495 Hong Kong MING PAO in Chinese
21 Aug 95 p C1

[Report on interview with Hu Angang, researcher of the national conditions study group of the Chinese Academy of Sciences, by staff reporter Hsu Ching-hui (6079 0513 2547); date, place not given: "Hu Angang Expresses View That 'Special Economic Zones Should Not Be Special,' Saying Gap Between Various Localities Has Become Political Issue"]

[FBIS Translated Text] In an interview with this newspaper, Hu Angang, researcher of the national conditions study group of the Chinese Academy of Sciences, said that it is necessary that "special economic zones [SEZs] not be special." If the development of all localities is overly uneven, this certainly will create social instability, which will become a political issue rather than an

economic one. The central government also has the responsibility to control the current uneven development.

Hu Angang pointed out that in his government report to the National People's Congress in March this year, Premier Li Peng proposed "creating conditions to narrow the gap." In addition, of the seven members of the Political Bureau's Standing Committee, six have expressed their determination to resolve the disparity between rich and poor localities. He noted that the great disparity between the rich and the poor cannot be resolved completely in the short term, yet the increasingly widened gap must be controlled. He added that China generally can be divided into six types of localities: extremely low income, low income, lower-middle income, upper-middle income, high income, and ultra-high income localities. The ultra-high income in SEZs is seven to eight times the national per capita income, whereas the extremely low income is less than 10 percent of the national per capita income.

Li Youwei, secretary of the Shenzhen City CPC Committee, earlier delivered a strongly worded speech on the proposal to "abolish SEZs," saying that it ran counter to Deng Xiaoping's idea of letting localities where conditions permit to develop first. Li believed that the SEZs' mission is far from complete. He called on the central authorities to lend more support to the development of the coastal areas if they want to develop the western region faster. As long as the coastal areas are developed, the western region will develop more rapidly. In response to this, Hu Angang warned that one should not extract a phase from Deng Xiaoping's theory, but should understand it correctly and fully. He said that Deng Xiaoping's theory covers the "theory of becoming prosperous ahead of others" and the "theory of common prosperity." Different interest groups hold different views. Developed localities certainly use the theory of becoming prosperous ahead of others, while the underdeveloped support the theory of common prosperity. However, the central authorities must face up to the issue of fairness. Taiwan's Kuomintang also supports the theory of common prosperity, and so should the Chinese Communist Party. Hu Angang noted that the move to control the gap has been made in the Eighth Five-Year Plan, though it is not obvious. It is absolutely necessary to carry it out in the Ninth Five-Year Plan.

Hu said society will be unstable if it falls short of fairness. He added that he had conducted a survey in which 84 percent of the respondents pointed out that a wide gap between localities would cause social instability; the remaining 16 percent believed that it would split the country. Hence, Hu is of the view that an overly wide gap between localities has become a political issue rather than an economic one.

Finally, Hu Angang reiterated that says "SEZs should not be special" is aimed only at the political conditions in China, and is not related to the future development of Hong Kong and Macao because "SEZs" and "Special Administration Regions" are two entirely different matters.

Guidelines Issued To Regulate Private Sector

OW2308220895 Beijing ZHONGGUO XINWEN SHE
in English 1344 GMT 23 Aug 95

["China Aims To Rationalize Private Sector Development" — ZHONGGUO XINWEN SHE headline]

[FBIS Transcribed Text] Beijing, August 23 (CNS) — In an attempt to guide and regulate the development of private enterprises, the State Administration for Industry and Commerce has put forward six major guidelines as follows. 1. All relevant policies shall be made on a production-oriented basis rather than on the premise of state-owned assets. 2. To aim at gaining a foothold in the international market as well as the development of export-oriented enterprises. 3. To concentrate on development of those service and manufacturing industries which tended to improve overall urban living standards. 4. To expedite the development of private-run enterprises in central and western China. 5. To support the development of the private sector by breaking the deadlock existing between geographical regions, industrial sectors and state ownership so as to forge closer economic ties through cross shareholdings. 6. The priority workload of local industrial & commercial bureaus shall be day-to-day vetting and examination of private enterprises. Methods of control would, however, vary from industrial sector to industrial sector as well as from geographical region to region.

Foreign Patent Applications Up 25 Percent

HK2308014195 Beijing CHINA DAILY in English
22 Aug 95 p 5

[By Sun Hong: "Foreign Patent Applications Growing Fast"]

[FBIS Transcribed Text] Foreign patent applications in China is posing a strong growing momentum against an overall slip in domestic patent applications.

The Patent Office of China says that in the first seven months of the year, China received a total of 43,024 patent applications—a 2 per cent drop on the same period last year.

However, the number of foreign patent applications to China registered a 25 per cent jump to 6,546.

The figure was 15 per cent of applications.

Ma Lianyuan, Deputy Director General said: It reflected intensified competition in the country and China's improved work on patent protection.

Among the foreign applicants, Japan had 2,557 applications in the period.

Japan took over the United States and became the largest foreign patent applicant last year.

The US came next, with 1,284 applications to the Patent Office of China.

Germany registered 572.

Last year, China received 9,928 overseas patent applications, rising 8.8 per cent from 1993.

Ma forecasted that a "new climax" will emerge in coming months on overseas patent applications.

He based his prediction partly on the fact that a number of China-targeted overseas applications handed over to other members of the Patent Co-operation Treaty (PCT) since last year will arrive in China from this month.

China joined PCT in January last year and became one of the eight international searching authorities and preliminary examination authorities on patents in the world.

Since then, overseas patent applications to China could be handed over to other countries and later reach China through international network.

Seeking to better protect patent owners, China is making greater efforts to fight against patent violators, Ma said.

His office is working on revising the Patent Law in a bid to give patent violators punishment.

The new item is expected to grant patent offices powers to investigate patent infringements, seize related items and fine violators.

The office is also drafting a regulation on patent administration. Its implementation will help standardize administrative work in the sector and achieve better co-operation among departments on patent protection, he said.

Hoping to expand international co-operation, the Patent Office of China is applying for two world organizations: the Strasbourg Agreement Concerning International Patent Classification, and the Cocarno Agreement on Establishing an International Classification for Industrial Designs.

Talking about the slight decline in the overall patent application to the Patent Office of China during the first seven months, Ma said it is not unusual.

Last year, the Patent Office of China accepted 77,745 patent applications, more than five times the 1985 figure.

Financial Aid to Three Gorges Project Increases

OW2408100495 Beijing XINHUA in English
0802 GMT 24 Aug 95

[FBIS Transcribed Text] Chongqing, August 23 (XINHUA) — Nationwide technical and financial assistance to the Three Gorge Project, China's largest reservoir project, has seen an increase in the amount of funds, about 857 million yuan (103 million U.S. dollars), being put here by other provinces and by ministries.

By the end of June, some 171 assistance contracts had been signed, with 44 having gone into operation, while 54 ministries and 20 provinces and municipalities have sent groups to the construction site to discuss aid programs.

Some 20 ministry-level bodies, including the State Planning Commission, the State Economic and Trade Commission, the Ministry of Communications, and the Ministry of Water Resources, have come up with aid programs involving 304 million yuan in investment.

The Ministry of Communications has allocated 17 million yuan to build a bridge across the Chang Jiang River in Fulin City, and the Ministry of Water Resources put 84.5 million yuan into hydro-electric power and transformer substations in Longhe Prefecture.

Other provinces have focused on industrialization-oriented development. The country's major tobacco producer, Yunnan Province, has given technical support for a tobacco base and a cigarette plant and helped the plant make a profit of 300 million yuan last year.

The Wahaha Group, the largest bakery and confectionery in Zhejiang, has started a co-operative program with the food industry here last year. As a result, three major food and wine businesses will turn out 100 million yuan worth of goods and profits and taxes totaling 10 million yuan.

A Three Gorges Project Foundation of 105 million yuan has been jointly established by Guangdong, Fujian, and Jilin Provinces and Shanghai, the country's industrial and financial center.

Export Volume Up for Light Industrial Goods

OW2208113195 Beijing XINHUA in English
0911 GMT 22 Aug 95

[FBIS Transcribed Text] Beijing, August 22 (XINHUA) — China's export volume of light industrial goods showed a sharp rise in the first six months of this year, hitting 18.9 billion U.S. dollars, according to

statistics released by the China National Council of Light Industry.

The figure is 43 per cent higher than in the same period of last year and accounts for 27.2 per cent of the country's total export volume in the period.

CONSUMER DAILY (XIAOFEI SHIBAO) here reported that 12 of the council's 20 industries had reaped a 40-percent-plus increase in exports each in the six months this year, which included light bulbs, daily-use chemical products, furniture, household electric goods, and lighting equipment.

The pulp making sector ranked first with a growth rate of 156 percent.

The newspaper said that the rapid growth in light industrial exports will slow down slightly in the second half of this year because of a bottleneck in the money supply.

Commentator Praises Veteran Combat 'Hero'

HK2308015395 Beijing RENMIN RIBAO in Chinese
27 Jul 95 p 1

[Commentator's article: "A Person Who Claims No Credit for His Distinctive Merits Has a Nobler Moral Quality"]

[FBIS Translated Text] After reading the newsletter "The Life Coordinate of a People's Meritorious Veteran," which recounts the deeds of Sun Mingzhi, a National Second Class Combat Hero and a Special Class Meritorious Worker, we are deeply moved and have the urge to press ahead.

After achieving success and winning recognition, a people's meritorious worker who had gone through fire and water under a hail of bullets and performed numerous meritorious services in war, voluntarily "lived and worked in peace" in an impoverished village where he made quiet devotion instead of resting on his laurels, claiming credit for himself, and enjoying an easy life. This is a high ideological plane which ordinary people find it hard to attain. But old General Gan Zhuchang attained it many years ago, as did old Red Armyman Fang Heming, "living martyr" Li Yuan, and Sun Mingzhi.

"When I see people suffer hardship, I am so miserable that I can't help shedding tears!" Sun's feeling has vividly demonstrated the flesh-and-blood sentiments of communist party members who share weal and woe with the masses of the people. For decades Sun Mingzhi has never changed his true colors as a hero, sharing weal and woe with and allaying the griefs of the people. For this reason, he has won the sincere and honest assessment

and trust of the masses: "If you have difficulties, turn to Old Sun. He is a party member and is kind-hearted."

"We Communists are like seeds and the people are like the soil. Wherever we go, we should integrate ourselves with the masses, strike root, and bloom among them." Comrade Mao Zedong's teachings to Communists have been vividly embodied in Sun Mingzhi. On the battlefield, Sun was a hero of indomitable spirit; in the impoverished village, he is like a "shining" seed. What he has sown is the fine tradition of our party, the brilliant image of Communists. The cause of our party needs thousands upon thousands of "seeds" like Sun Mingzhi. If such "seeds" can strike root and bloom, the cause of our party will always flourish and develop.

Seeking nothing but selfless devotion is also a fine quality of Sun Mingzhi. Was it excessive for Sun, who had lost sight in his right eye and was wounded five times, to ask for some consideration? Was it excessive for a hero, who had been cited 11 times for meritorious service, to ask for some consideration in allowing his son to join the army? Was it excessive for a person, who had shot down three high-priced American military aircraft, to ask for some money to pay for his children's school expenses? However, Sun Mingzhi, who sought nothing from but made devotion to the state, deemed it excessive to do so. He never balked at contributing his sweat, blood, and even life to the state, but he asked for next to nothing in return. The practice of socialist construction has proven that such valuable feelings of Sun Mingzhi should likewise be promoted even when we are developing a socialist market economy today.

*Impact of Tax Sharing Control System Viewed

95CE0524A Chongqing GAIGE [REFORM]
in Chinese 20 May 95 No 3, pp 106-107

[Article by Xiang Zhi [5046 0037]: "Changes in State-owned Enterprise Sales Methods in the Wake of Tax Sharing Between the Central and Local Authorities"]

[FBIS Translated Text] Since inauguration of the tax sharing fiscal control system on 1 January 1994, quiet changes have occurred in the method of selling state-owned enterprises. To a certain extent, the tax sharing system has intensified the longstanding contention between the central government and local governments over property rights.

The tax sharing system provides that the income taxes and after-tax profits of central government enterprises are to be paid to the central government, and the income taxes and after-tax profits of local government enterprises are to be paid to local governments; value added taxes are to be shared between the central

government and local governments, 75 percent going to the central government, local governments taking 20 percent. All business taxes go to local governments, and all city and town land use taxes and city upkeep taxes also go to local governments. These provisions have caused several changes in the sales methods of state-owned enterprises in all jurisdictions.

1. Historically, the central government has several times transferred and retracted local government control of state-owned enterprises. This was particularly so during an upsurge, for a time, in the transfer of state-owned enterprises to local control after 1979. In 1984, for example, the Ministry of Machine Building transferred 67 enterprises under its direct jurisdiction to local government control on instructions from the State Council, local governments exercising decision making authority over major matters including finances, personnel, and the distribution of profits. With the advent of the tax sharing system, local governments to which the central government had transferred state-owned enterprises became generally concerned lest the central government take back the enterprises. Consequently, they included ownership rights to central government enterprises that had been transferred to local government control in their list of things they were considering selling first in order to get additional income for the local government from what they might otherwise lose in the future. This inclination, which had already appeared in the 1980s, increased greatly following inauguration of the tax sharing system. It was particularly marked in some old industrial bases. Heilongjiang Province planned to sell three large state-owned enterprises, one of which was the Harbin Glass Factory. This plant had an annual production capacity of 40,000 tons of ordinary kinds of glass used in daily life, and 1 million heavy cases of plate glass. Another plant was the Harbin Forestry Machinery Plant, whose annual production capacity translated into an output value of 20 million yuan renminbi. The third was the Mudanjiang Forestry Machinery Plant having an annual production capacity of 15 narrow gauge railroad locomotives, 1,000 railroad cars, and 1.5 million tools. "Harbin Glass" was a local enterprises, but the other two were enterprises that the central government had transferred. In May 1994, one city in Guangdong Province sold four state-owned enterprises, two of which were reportedly central government enterprises that had been transferred to the city's control.

2. Who the main investors have been in state-owned enterprises in various jurisdictions is extremely complex. Both the central government and the local government have invested in some. Among those in which the central government has invested, the state treasury has invested in some, and the State Planning Commis-

sion and the six large state investment corporations have invested in others. Various central government industrial units have also invested, and in some cases, national banks have invested in state-owned enterprises as part of the enforcement of the government directive to "replace government appropriations with loans." As market economy system reforms intensifies, awareness of property rights has reached unprecedented proportions. Demands for defining property rights in terms of "property rights to the investors" have grown increasingly strong. Given the existing system and the sources of investment funds historically, the property rights of state-owned enterprises are defined in terms of "property rights to the investors;" thus, most of the property rights of state-owned enterprises (including local government enterprises) revert to the central government. Such a definition is bound to arouse apprehensions and disquiet among local governments; consequently, local governments give priority consideration to selling the property rights of local enterprises in which the central government invested. For example, the Shouguang Soda Ash Plant in Shandong, which is one of three large soda ash plants in China, and which was a key national project during the Seventh Five-Year Plan, is a local enterprise under direct administration of the Weifang municipal government in Shandong. This plant's assets have a net book value of 690 million yuan, 467 million yuan of which the central government invested, and 167 million yuan of which the local government invested. The plant itself raised the remainder. Reappraisal of the plant's assets raised their value to 2.24 billion yuan. Weifang City applied 1.14 billion yuan of the plant's operating assets to the formation of a joint venture in which a foreign firm holds 60 percent of share rights and the Chinese partner 50 percent. It was only through the subsequent direct intervention of the central government authorities concerned that the deal was halted.

3. Throughout the 1980s, mostly small state-owned enterprises were sold, and a series of administrative methods and regulations on financial problems to encourage such sales and bring in foreign firms were inaugurated. Following tax sharing, all business taxes went to local governments, and 75 percent of value added taxes went to the central government, only 25 percent reverting to local governments. This pattern of profit redistribution has brought changes in kinds of state-owned enterprises sold. One attention-arousing change was that the emphasis of local government sales of state-owned enterprises began to shift from commercial enterprises to industrial enterprises, interest in operating industrial enterprises and in industry, in general, decreasing markedly. For example, among the 88 industrial concerns that one northeastern province plans to sell, 34 are light industrial concerns, 17 are textile mills, 10 are construction ma-

terials firms, seven are machinery manufacturing firms, 11 are electronics enterprises, three are metallurgy concerns, five are chemical industry enterprises, and one is a pharmaceutical plant. Not a single one of the 88 state-owned enterprises the province is planning to sell is a commercial concern. Reportedly, an overwhelming majority of the state-owned enterprises that Hunan Province plans to sell are also industrial concerns.

Most of the central government enterprises are located in local government areas of jurisdiction. With the institution of the tax sharing system, all city and town land use taxes, and all city maintenance taxes revert to local governments. In addition, land use tax policy is elastic (varying from between 1 and 10 yuan per square meter). Thus local governments have opportunity to gut central government enterprises. For example, the China Materials Storage and Transportation Corporation, which occupies 1.6 million square meters of local government land on which the tax is yuan per square meter, has to pay 1.6 million yuan each year. In particular, when central government enterprises form joint ventures for development and sell some property rights, local governments frequently take the opportunity to profiteer, thereby increasing joint venture development and sales costs. Changes in state-owned enterprise sale methods and the unceasing complaints of those who suffer directly inconsequence have aroused the serious attention and concern of the policy making level. In May 1994, the State Council Office issued a public announcement requiring all jurisdictions not to sell without authorization the property rights of central government enterprises that have been transferred to local government control. Sales of property rights of local government enterprises in which the central government has invested must be agreed to and approved by the central government departments concerned. The notice also retracted local government authority to approval such sales. Nevertheless, seemingly there is not good policy for dealing with the problem of the increase in central government enterprise costs and transfers of profits resulting from local government land use taxes and city upkeep taxes. The way in which tax sharing is being conducted suggests that the tax sharing system has defined the separate fiscal authority of the central government and local governments. The next step is bound to challenge the equity relationships of the central government and local governments. This will also affect the interpretation and division of authority of "centralized state ownership and government monitoring at every level" of state-owned assets called for in "the Decisions of the Third Plenary Session of the Fourteenth Party Central Committee. Foreseeably, the "assets sharing system" is bound to become a hot spot for intervention in getting the tax sharing system underway. How the equity rights of the

central government and local governments will be handled will attract great public attention.

***Trade Commission on Reforming Enterprises**

95CE0529A Beijing JINGJI GONGZUO TONGXUN
[ECONOMIC WORK NEWSLETTER] in Chinese
15 Jun 95 No 11, pp 7-9

[Article by the State Economic and Trade Commission: "Some Implementation Views On How To Improve State-Owned Medium And Large Scale Enterprises In 1995's Deeper Enterprise Reform"]

[FBIS Translated Text]I. Pay Attention To Experimental Site Work In Establishing The Modern Enterprise System

(1) The 100 experimental enterprises must draw up a good experimental site "implementation Plan." Enterprises must analyze their own situations comprehensively as well as both the domestic and international markets, and from this formulate an enterprise development strategy which details the experimental site "implementation plan" which is best for their development strategy. Each "implementation Plan" must comprehensively and correctly fulfill the modern enterprise system's four characteristics of "clear property rights, clear rights and responsibilities, a clear distinction between administration and enterprise, and scientific management," with the "three changes and one strength" (reform, reorganize and remold, strengthen enterprise management) as major components.

(2) Each region and department must conscientiously do a good job of organizing the review and approval of each experimental site enterprise's "implementation Plan." After an "implementation Plan" has been demonstrated and revised, experimental site enterprises must make a formal report requesting approval to their province, autonomous region or municipality directly under the Central Government and to the planned, specially listed city people's government or relevant department of the central government. The institutions in charge of the experimental site work in the relevant region and department will review the plan demonstration report and approval opinion. After approval by the provincial government and the responsible department of the central government, the State Economic And Trade Commission, the State Restructuring the Economic System Commission, the relevant province (region or municipality) and the relevant department will jointly issue the documents approving the experimental site "implementation Plan." It is planned that this process can be accomplished within the first half year.

(3) Stress building leadership teams in the 100 experimental site enterprises. The China Ministry of

Supervision will play a lead role in coordinating with the Ministry of Personnel and the State Economic and Trade Commission in stipulating methods, and in organizing each locality and department to inspect the leadership teams of experimental enterprises in accordance with existing cadre administration powers. These inspections should lead to: rewards for the encouragement of those making outstanding achievements; raise expectations concerning those with mediocre achievements; definite reorganization of those leadership teams in which a lack of unity and low quality has resulted in failure or losses for the enterprise; prompt addition for those enterprises which have shortages of team leaders. This matter will begin during the first half of the year.

(4) According to the "Enterprise Law", reform the system, to strengthen control of state-owned assets in enterprises. For those enterprises among the 100 experimental enterprises that plan to reform their system into liability limited companies or joint stock companies, we must clearly inform the state-authorized investment institutions to send monitoring committees to the state-authorized institutions in accordance with the "Monitoring Rules" for state-authorized institutions, insuring that their systems will be reformed in accordance with the "Enterprise Law." For those experimental enterprises which plan to reform into companies wholly owned by the state, we must send monitoring committees according to the "Monitoring Rules," after receiving approval and funding in accordance with the "Enterprise Law." Among company system enterprises, study and establish a system of leadership and organization on a scientific foundation such as authority institutions, policy making institutions, monitoring and implementations institutions having clear responsibilities and powers; study and establish monitoring, management and operating systems for state-owned assets which have clear responsibilities and powers.

(5) Reduce redundant enterprise staff to achieve personnel reductions and increase efficiency. Experimental enterprises must allocate surplus employees and establish a system of personnel cuts and increased efficiency which is based on reforming their internal labor, personnel and allocation systems. According to the Ministry of Labor's "Memorandum Concerning Supplemental Unemployment Insurance In Support of Deeper Reform of Enterprise Experimental Sites," employees of the 100 experimental site enterprises "may continue to register at local labor departments and enjoy unemployment insurance. Each local labor department must accept them as well as supply reemployment services while using existing unemployment insurance funds to guarantee basic necessities of life." Meanwhile, studying ways and means of gradually separating social func-

tions such as enterprises running their own elementary and high schools, hospitals, etc.

(6) Persist in the "three changes and one strength," combining the establishment of a new system with increases in new organic input, to expand society's capacity. By such means as increasing capital, joint ventures, input capital, cross-investment, etc., regulate and improve the enterprises' asset debt structure. Support and encourage experimental enterprises by providing them with superior circumstances, such as forming efficiencies of scale by incorporating enterprises, making significant progress in accelerating structure adjustment, strengthening operations management, promoting technology upgrades and improving economic efficiency, etc.

(7) Stipulate specific methods to instruct the experimental sites, to assure their successful implementation. The State Economic And Trade Commission and the departments related to it will coordinate and support each other, and will issue the following procedures in the first half of year: "Provisional Methods For Conducting an Asset Operations Responsibility System For State-Owned Enterprises", "Opinions On Sending a Monitoring Commission From Monitoring Institutions To State-Owned Enterprises' Leadership Teams," "Methods Of Implementing An Entrepreneurial Salary System," and "Methods For Experimental Enterprises To Operate Social Functions And Distribute Surplus Staff."

II. Organize and Implement Experimental Site Work In Some Cities' Enterprises By "Improving Asset Structure."

(1) Establish a multichannel system of subsidized enterprise self-owned production and operating capital. In the 18 experimental cities which are implementing enterprises' "improving asset structure" experimental sites, there must be continued implementation of the State Economic and Trade Commission's "Notice Regarding Implementation of Trial Methods For Increasing State-Owned Industrial Enterprise Self-Owned Production and Operations Capital In Some Cities", the Ministry of Finance's "Memorandum Regarding State-Owned Industrial Enterprises' Subsidy Circulating Capital In Trial Cities," and "Memorandum Regarding State-Owned Industrial Enterprise Subsidy Circulation Capital's Accounting Rules In Trial Cities For Improving Capital Structure." On this basis, the "trial cities" should stipulate specific methods which accord to their own financial capacity, combined with their practical situations, exploring multiple channels to increase the sources of enterprise production and operations capital.

(2) **Build the bankruptcy system, with stronger emphasis on motivating enterprises in market competition.** Continue implementing the "Bankruptcy Law" and "Memorandum On Relevant Issues For Trial Implementation Of the State-Owned Enterprise Bankruptcy Law In Some Trial Cities." When there are state-owned enterprises that cannot repay their debts when due or have no way of changing their losses, then we must declare them bankrupt in accordance with the law to avoid incurring more losses for the state-owned assets. Of 51 enterprises which have applied for bank examination in last year's "trial cities" project, 41 of them have entered the bankruptcy processing procedure this year, 45 enterprises are scheduled for bankruptcy pre-trials and 13 enterprises are going to bankruptcy (a total of about 150 enterprises). For these, we must organize carefully and make sophisticated arrangements. Determination of enterprise bankruptcy requires negotiation by each side and unanimous opinions; the process must be strictly in accord with legal procedures. In accelerating trial measures and improving coordination and efficiency among departments, when there is no unanimity in negotiations over "implementing bankruptcy among state-owned enterprises" in trial cities, the State Economic And Trade Commission will arbitrate the matter based on their hearing of comprehensive opinions from the People's Bank of China, the China Industrial and Commercial Bank, other relevant specialized banks and the Ministry of Finance.

(3) **Be attentive to enterprise incorporation and regulating the structure.** The People's Bank of China, the State Economic and Trade Commission and the Ministry of Finance will soon issue "Opinions Concerning Loan Interest Handling For the Encouragement And Support of Superior Enterprises Incorporating Troubled Enterprises." Each "trial city" should list troubled enterprises that have three consecutive years of losses, are more than two years overdue in debt payments, and encourage and support superior enterprises in incorporating these difficult enterprises. This will strengthen regulatory power and promote the shift of the existing volume of assets to superior enterprises.

(4) **Allocate enterprise surplus personnel according to "reduce staffing to increase efficiency," accelerating such social insurance reforms as unemployment and retirement insurance.** The State Economic And Trade Commission, Ministry of Finance, Ministry of Labor, Ministry of Health Care and the State Education Commission have jointly promulgated "Opinions On De-Linking Enterprise-Operated Social Functions And Allocating Surplus Personnel In Some Cities" and each "trial city" must vigorously organize and implement it, working on "reduce staffing to increase effi-

ciency." There must be links between the local practical situation, stipulated uniform social plans and the individual comprehensive employee retirement insurance system. There will be attempts to begin implementation this year. Some enterprises with mature conditions should gradually build employee supplemental retirement insurance funds.

(5) **Vigorously explore state-owned asset monitoring, managing and operating system with clarity as to rights and responsibilities, separating administration from enterprise.** According to governmental directives to separate the managerial function of the social economy from the operational function of state-owned assets, explore the forms and channels for accomplishing the separation of administration from the enterprise, investor ownership and the enterprise's legal person property rights. Summarize the experiences of trial sites, and promote the vigorous and cautious progress of this reform in trial site cities where the conditions are mature.

(6) **"Trial Cities" with mature conditions should take the lead in carrying out enterprise cadre management system reform.** We must unify personnel management and business management, and stipulate enterprise operator management criteria which is distinctive to the state system. Through the system of issuing operator certificates, train high quality operating and management talent; through the trial sites, gradually implement an operator annual salary system which will maintain their proper rights and interests; implement a hiring, checking, rewards and penalties system, building a corresponding system of incentives and restrictions. The goal is a high quality and professional entrepreneur team.

(7) **To strengthen the policy guidance for enterprises' technical progress, organize and implement the "double plus" project to support pillar industries and fist products, increasing the enterprises' overall vitality.** Trial cities must bring their comprehensive superiority in such areas as reform, reorganization, replacement and reform support, etc., to support and encourage enterprises in increasing their scientific and technical input, strengthening enterprise technology development and interchangeability. We must vigorously implement the State Economic and Trade Commission's "Opinions Concerning Technology Upgrading in 18 Cities," strengthening the force of technology upgrading and accelerating the measures for that upgrading. Build an enterprise technology progress system which is market-directed, led by products, with science and technology in a good cycle with production, improving enterprises' technology quality, market competitiveness and economic efficiency, strengthening regional economic capacity.

III. Continue to Take Care of the 56 Trial Enterprise Groups and the 3 State-Controlled Joint Stock Corporations That Were Determined By the State Council.

(1) Enterprise groups must strengthen development of strategic research. This year, we are requiring enterprise groups to stipulate or revise their group development strategy.

(2) Regulate property rights relationships between enterprise groups' parent and subordinate companies; establish and improve their property rights links.

(3) By reforming, reorganizing, remodeling and strengthening management, expand enterprise groups' capacities, letting them play a greater role in regulation, structural improvement and competing in international and domestic markets. This will be based on implementation of the "Memorandum Forwarded by the State Council Concerning the State Planning Commission, the State System Reform Commission and the State Council Production Office's Approval Of Selection Of a Large Group of Enterprise Groups For Trial Sites." It will be accomplished the "three changes and one strength," letting enterprise groups take new steps toward forming efficiencies of scale and strengthen their competitiveness.

(4) Based on surveys, studies and demonstrations, set out a plan for reorganizing the three national general corporations into a state-controlled joint stock corporation.

IV. We Must Continue To Implement the "Three Laws", "Two Regulations" and "Two Rules", And Do the One "Movement" Well.

(1) Continue to implement the "Enterprise Law", the "Labor Laws" and the "Rules On Exchanging the System." Each region, department and enterprise must take the "two changes and one implementation" (that is, the enterprise changes its system, government changes its role, with complete implementation of each enterprise's rights and responsibilities) as fundamental work to be done. With the implementation of enterprises' 14 self-determined rights, the focus this year will be on approved enterprises with import and export operating rights, giving them the same treatment enjoyed by foreign trade enterprises, such as import and export quotas, licenses, etc. Meanwhile, give enterprises the right to reject forced collections, stop unnecessary inspections and contest actions. There must be protection for workers' legal rights and interests, regulate industrial relationships, establishing and protecting a labor system which suits the socialist market economy.

(2) Enterprises that have already changed to the corporate system must regulate themselves according to the "Corporate Law." To supervise this work, the State Economic And Trade Commission is drafting a memorandum on this issue with relevant departments.

(3) To achieve strict financial and accounting discipline, accelerate capital circulation and improve operational efficiency, we must conscientiously implement the "Enterprise Financial Affairs Rules" and the "Enterprise Accounting Rules." This year, we must accomplish the state-owned enterprise asset cleaning and verification work, putting the focus of the work on "verifying assets," based on "property cleaning." Each region and department must study and resolve the difficult issues in "verifying assets" by the use of trial sites.

(4) Accelerate the organization and implementation of the "Monitoring Rules." Progressively smooth the mutual relationship between state-owned enterprises' state ownership of property, leveled management and specialized monitoring of enterprise operations. We must send out monitoring committees at intervals and in groups to large-scale state-owned enterprises and corporations which are solely state-invested, to monitor the value preservation and increase of state capital. We plan within the year to send monitoring committees to about 40 enterprises, and will gradually expand this after gaining some experience. The enterprise asset operation responsibility system must be implemented widely, through signing asset operation responsibility documents, making clear the asset operations responsibility of state-owned enterprises, and strengthening the system for monitoring and restricting asset operation.

(5) The "change the system, work on management, exercise capability and increase efficiency" movement must be further implemented. Do this by: one, paying attention to building leadership teams; two, overseeing an enterprise focus on quality, capital, cost, operations and marketing management which targets outstanding problems in current production and operations and is concentrated on controlling quality and pushing enterprise quality control up a level; three, accelerating the construction of an enterprise operations and management situation evaluation index system; four, promptly sum up typical experiences, and do a good job of popularizing the work, to maximize each model's role as an example and impetus.

V. Study and Resolve Difficult Problems In Enterprise Reform

(1) Study multiple channels for increasing state-owned enterprises' capital funding. This year, we will

in 18 trial cities conduct trials with some enterprises of ways to increase state-owned enterprises' production and operating capital through multiple channels. We must adhere to the principle that state-owned enterprises subsist chiefly on self subsidies, with the state providing policy encouragement.

(2) Study and resolve the various asset loss and capital-moribund account problems discovered in asset cleaning and verification. We must study and resolve specific measures for implementing the "State Council Memorandum On Policies Concerning Expansion of Asset Cleaning And Verification."

(3) Study and resolve the problem of "conversion of allocations to loans" to increase state capital funding. We must accelerate coordination of "Provisional Methods For Changing Capital Funding Principal and Interest Balance to State Capital Funds in Trial Enterprises' Conversion of Allocations to Loans," trying to issue it during the first half of the year. Select from the 100 modern enterprise system trial sites, 18 trial cities and 56 enterprise groups a group of enterprises that really need state direct investment or do not have capital funds or their capital funds do not reach the stipulated amount, and change "conversion of allocations to loans" to state capital funds according to the above-mentioned methods.

(4) Study efficient ways and specific methods of resolving enterprises' excessive loan burdens through multiple channels. Select some of the "trial cities" or enterprises, and carry out investigation and research on the clearance and restructuring of enterprise debts.

(Article slightly abridged for publication here.)

***Trade Commission on Reform, Pilot Program**

95CE0530A Beijing JINGJI GONGZUO TONGXUN
[ECONOMIC WORK NEWSLETTER] in Chinese
15 Jun 95 No 11, pp 3-6

[Article by Chen Qingtai (7115 3237 3141), State Economic Trade Commission vice chairman: "Follow the Direction of Building a Modern Enterprise System And Push On With the Enterprise Pilot Program"]

[FBIS Translated Text] The Fourth Plenary Session of the 14th Party Central Committee and the Central Economic Work Conference have decided that reform of the state-owned enterprises should be the focus of economic reform this year; it was a major decision reached by the Party Central Committee and the State Council. The State Council has appointed the State Economic Commission to head the enterprise reform task. We deeply feel the grave responsibility and the pressure. So far, the Economic Trade Commission has

met with the relevant departments to conduct a broad investigation of various issues concerning the reform of state-owned enterprises and has pushed on with the reform tasks. We hereby present a summary report on the progress of the enterprise reform pilot program and on our next step.

I. Progress Made In the Reform Pilot Program

A. The 100 enterprises piloting the modern enterprise system are formulating an "Implementation Program."

In drawing up the "Implementation Program," the pilot enterprises follow the idea of "three changes and one reinforcement" to combine the formulation of the enterprise organization management system, the labor and personnel system, and other reform programs with the study and formulation of the enterprise reform strategic plan and go on to reform, reorganize, and re-mold the state-owned enterprises according to the enterprise development program under the "Ninth Five-Year Plan." So far, of the 70 enterprises the State Economic Trade Commission has contacts with, 45 intend to reorganize themselves into group companies, 10 into shareholding companies, and 5 into limited liability companies. Some enterprises paid special attention to linking the setting up new mechanisms with increasing input; they brought in new investors and improved their asset and liability structures. For example, Beijing's Modern Construction Materials Factory Headquarters took advantage of its ample plant facilities and the good market prospects of its new projects to attract foreign and domestic institutions—such as the United States' GAOSHENG [7559 4141 ?], SHIHANG [0013 5887 ? World Bank ?] International Finance, Nanfang Securities Company, and China Constructions Group—and together they set up a shareholding company. This allowed the company to obtain transformation and development funds while changing to a new system.

With the support of provinces, municipalities, and departments, some pilot enterprises probed into various key and difficult issues. For example, upon carefully analyzing its debt structure, Tongshan's alkali factory adhered to the principle that the state, the province, and the city should share the burden and turned 935 million yuan in loan principal and interests, including the central government's "substitution-of-loan-for-allocation" funds, into the state's capital fund.

Shanghai Wireless's Number 3 Plant has always been a money-loser for the municipality's Instrument and Meter Bureau. At the end of 1993, the book value of its cumulative losses was 61.52 million yuan. To date, that plant has spun off 5 enterprises, each with legal-person status; 3 Sino-foreign joint venture enterprises; and 13

entities of "three kinds of assets" [SANCHAN 0005 3934 ???]. For reform, it used the graduated land rent generated by the exchange of land to settle the displaced workers and pay off more than 200 million yuan's worth of debts, and eventually, the original enterprise will be dissolved and the other better enterprises will take over. Of the 100 pilot enterprises, 30 percent have performed poorly, and eight of those have lost money. This kind of pilot program typically can help turn things around.

B. The 18 cities piloting the program to "optimize the capital structure" are making headway.

1. Go all out to take inventory and sort out the assets, know the "bottom-line," and, within the limits of local jurisdictions, write off some of the lost properties.

In 1994, 17 pilot cities (Zibo City had completed the project in 1993) testing the "optimization of the capital structure" took physical inventory and sorted out the assets of 21,770 state-owned enterprises, or 85 percent of the state-owned enterprises in the pilot cities. By so doing, they had a good idea of enterprises' "bottom-line."

The pilot cities did not wait for help. With respect to the lost properties, hidden losses, and unpaid accounts, upon identifying the responsibilities, those that fell within local jurisdiction were checked and written off.

2. Make use of existing policy to boost the capital of the better enterprises and accelerate the pace of transformation.

The pilot enterprises primarily are making good use of State Council Office Issuance No. 29 (1993), the "Enterprise Financial Rules," the "Enterprise Accounting Standards," and other existing policies. By increasing depreciation based on the reassessed value of the fixed assets, letting the qualified enterprises accelerate their depreciation rate, including long-term loan interests and loss or profit on exchange in cost, and withholding accumulation funds in full from after-tax profits and so on, most enterprises can "remedy their own shortfall."

As for the pilot cities, the emphasis is on making sure that State Council Issuance No. 85 (1993), State Economic Trade and Financial Document No. 549 (1994), Finance and Industry Code No. 1 (1995), and other "capital boosting" documents are implemented. Statistics showed that, last year, most of the 18 cities complied with the policy of refunding 15 percent of the income tax paid by the profitable enterprise; that added 1.1 billion yuan to enterprises' capital. Shanghai, Shenyang, and Harbin even refunded 100 percent of the tax to the outstanding enterprises. In addition, the cities also adopted such measures as collecting the lump-sum provincial tax and profit first and refunding them later,

retention of after-tax profit, setting up of different kinds of funds, and counting delinquent financial payments as capital to increase enterprises' capital funds.

When boosting capital funds, the pilot cities adhere to the principles of "selecting the superior and helping the strong" and "equal preference" to implement the "double increase" project to accelerate the pace of technological transformation of the better enterprises.

3. Accelerate structural readjustments via merger and bankruptcy.

The pilot cities are making merger an important means for enlivening the stock of assets and optimizing resource allocation to readjust and optimize the economic structure. Several enterprises, such as Shanghai's Sanqiang Group and the Shanghai No. 2 Woolen and Textile Mill, have made merger an important developmental route.

At the end of last October, the State Council handed down the "Circular on Issues Pertaining to State-Owned Enterprises' Bankruptcy in Several Pilot Cities" (State Council Issuance No. 59 (1994)), which clarified certain important and tough bankruptcy issues and helped the cities test their bankruptcy practices. Currently, 159 enterprises in the 18 cities have declared bankruptcy; their average debt ratio was 175.54 percent. The 46 bankrupt and closed enterprises wrote off their 1.556 billion yuan bad-debt bank reserve. The success of Tianjin Municipality's one-time public auction of the entire Bohai Brewery (with assets of 890 million yuan) was a typical example; response at home and abroad was good. They have also actively set up settlement offices to give play to the social intermediaries during the bankruptcy process and make bankruptcy work more socialized and professional.

Conducting strategic analyses of the cities' state-owned enterprises; identifying the trades and enterprises they want to support, readjust, or eliminate; combining reform, reorganize, and re-mold to implement the structural optimization strategy of "strengthening the large enterprises, enlivening the small enterprises, allowing the good enterprises to change to a new system, and giving the bad enterprises a new life"; and making merger and bankruptcy important tools for readjusting the stock of assets: This is the road to reform and development the pilot cities have embarked on.

4. Explore the issues of "separate and channel," asset utilization, and the restructuring of the enterprise cadre management system.

The pilot cities are making the separation of various social duties from enterprises and channeling the surplus workers an important task and are actively exploring

solutions, and they have made progress. First, as enterprises change old mechanisms and build new systems, the cities take a "two-step" approach to "classify first and separate later" and gradually reduce expenses and separate the enterprises into independent entities to be responsible for their own profits and losses when conditions ripen. Next, they give play to the cities' functions and actively take over the enterprise-run social institutions, relieving enterprises of their social burden. Lastly, they adopt different methods to channel the surplus workers. Changzhou, Qingdao, Zhuzhou, Qiqihar and other cities allow some workers to bring some assets with them, some to change jobs, some to create new jobs, and some to be dismissed as ways to settle the surplus workers. Shanghai Municipality stipulates that given the same qualifications, surplus workers laid off by enterprises have preference. Qingdao and Qiqihar and other cities have resettled more than 85 percent of their surplus workers.

Upon completing the above tasks, the pilot cities then turned to developing a social insurance system. In succession, Tangshan, Shenyang, Taiyuan, Bangfu, Shanghai, Zhuzhou, Harbin and other cities have set up their own centralized social insurance organs. Chongqing has developed a preliminary all-encompassing, integrated social insurance setup which extended coverage to "all enterprises regardless of nature, all workers regardless of status, and all jurisdictions regardless of state or local." Zhuzhou's social insurance organs have unified management organs and functions; uniform fee percentages, coverage, and pay-out standards; and uniform central plans and policies.

An important way for the pilot cities to separate government and enterprises is to actively explore and set up new state properties supervision, management, and utilization systems. For example, Shanghai took the lead to set up state properties management companies for the Instrument and Meter Bureau and Textiles Bureau, and empowered by the Municipal State Properties Commission, the companies were able to use the state assets within certain scope and speeded up the readjustment of the mix of trades and industries. Harbin has set up comprehensive reform experimental points in the light industry, textile, and machinery bureaus and has given them limited power to manage the state assets. Qingdao has eliminated 14 industrial bureaus (headquarters) and has turned them into asset management companies.

The pilot cities have also taken steps to strengthen the enterprise leadership groups and set up an enterprise leading cadre management system that oversees personnel and everyday operations.

II. Issues In the Pilot Project That Require Further Studies and Solutions

1. *The issue of taking inventory and sorting out the assets.*

Clearly, it is "easy to take inventory but difficult to sort out the assets." If the issue is not promptly resolved, it will affect the outcome of this round of inventory taking and asset verification. If upon sorting out the assets, deficits are found but not remedied, the more thoroughly we try to take inventory to establish fund sources, the higher will be the debt ratio. Within the limits of local jurisdiction and financial capability, the pilot cities must sort out the assets of key enterprises. At the same time, we must work with the relevant departments and coordinate the introduction of specific policies to implement State Council Office Issuance No. 29 (1993).

2. *The issue of restructuring enterprises' debts.*

The pilot cities and a substantial number of pilot enterprises and enterprise groups have debt ratios of more than 70-80 percent. The State Planning Commission, the Financial Ministry, and the State Economic Trade Commission plan to choose some that have the state's "substitution of loans for allocation" projects as bases and use the pilot cities and projects to find a way to "substitute loans with investments." It is hoped that the pilot cities' and enterprises' debt ratios can be lowered by 1 to 4 percentage points. In addition, we must actively explore ways to readjust enterprises' debt composition through different channels.

3. *The issue of implementing policies relating to merger and bankruptcy.*

Preliminary investigation showed that 474 state-owned industrial enterprises in the 18 cities either have lost money for 3 years in a row or are 2 years behind in their loan payments and truly have difficulty repaying their debts; their total bank loan balance came to 20.111 billion yuan—16.991 billion yuan in principal and 3.12 billion yuan in interests. If they are merged, the banks may lose some interest income, but the 16.991 billion yuan in principal payment will be guaranteed. This can play a very important role in promoting enterprise mergers, accelerating the pace of structural adjustments, optimizing the cities' stock of assets, and easing enterprises' problems.

On the issue of writing off the bad debts when enterprises go bankrupt, the pilot cities must be well-prepared and pace themselves. If disputes should arise, the State Economic Trade Commission should get the relevant parties together and arbitrate based on careful studies to make enterprise bankruptcy successful.

4. The issue of authorizing others to manage the state properties.

According to the "Regulation on Change of Mechanisms" and "Supervision Regulation," "the State Council represents the state in exercising ownership right over enterprise properties." Therefore, only if authorized and approved by the State Council do government departments at all levels have sufficient legal basis to exercise ownership right over state properties, including the right to authorize others to own equity rights in state-owned stocks and manage state properties. But currently, the authorization process is confusing: One, the entity handing out such right differs from place to place. Sometimes it is the local government that hands out the power, sometimes it is the local departments (such as the state properties bureaus,) and sometimes it is some other organization acting on behalf of the departments. Two, the act of authorization is not uniform. Generally the legal basis of the rights of the authorized party is not addressed.

As described earlier, 51 of the 70 pilot enterprises, or 73 percent, the State Economic Trade Commission has contacts with hope to be authorized by the state to become wholly state-owned companies (state-owned group companies or state-owned properties management companies). An important reason for this is that enterprises worry that if they are reorganized into limited liability companies or shareholding companies, the state properties management departments will make sure that the state-owned share dividends are handed to the state. We should promptly resolve the question of whether the state-owned share dividends should be centrally collected by the financial administration or be held by some institution empowered by the state to make investments and be used on increasing capital, expanding shares, and supporting the social functions that used to be enterprises'.

III. The Next Step

1. Work hard to formulate and coordinate relevant documents and strive to introduce them as soon as possible, so that the pilot project has some guidance.

We should make State Council Office Issuance No. 16 (1995) the basis and work hard on formulating and coordinating a complete set of relevant documents for the pilot project. In this round, we will be handing down the "Suggestions on the Cities' Separation of Enterprises' Social Functions and Channeling of Surplus Workers" and "Suggestions on Standardizing the Work of the Supervisory Boards Dispatched by the Supervisory Organs To State-Owned Enterprises." We will also introduce a complete series of documents in the near future.

While working on the formulation and coordination of new documents, we should also pay attention to making sure that documents already handed down and those soon to be handed down are put in place and guide the localities and enterprises to make good use of the existing policies. Leading comrades of local economic trade commissions must take the lead in studying and understanding these policies and learn to make good use of these policies.

2. The 100 enterprises piloting the modern enterprise system must focus on the drafting, formulation, and debate of the "Implementation Program."

Initially, we should consider concentrating on the following key points with respect to the 70 enterprises the State Economic Trade Commission has contacts with:

One group will become the focus: As the 100 pilot enterprises make progress in formulating the "Implementation Program," we should select those that have done solid basic work and where the localities and departments are well coordinated to be the focal points and probe deeply into those enterprises and use their experiences to help the others. We can use their "Implementation Program" as sample to help us do a better job with other enterprise programs.

Supervisory boards will be sent to one group: We should select 10 pilot enterprises that will be turned into state-authorized wholly state-owned companies to be the experimental points for the supervisory boards. We should explore effective ways to strengthen state property management and discharge the responsibility of preserving and increasing the value of state properties.

One group will work on the surplus workers: Of the 51 enterprises that have already reported the number of surplus personnel, 27 have come up with the actual number they intend to dismiss this year. We plan to select 10 of those enterprises to try to make a breakthrough.

One group will test the "substitution of allocations by loans": We plan to select 15 pilot enterprises to explore ways for the state, provinces, and municipalities to "substitute allocations with loans" while increasing the state's capital funds at the same time as a way to diversify the investing bodies and lower the average debt ratio.

3. The pilot cities should emphasize different elements and strive to make some breakthroughs in resolving the important and difficult issues.

With respect to the "optimization of capital structure" piloted by the 18 cities, we can look at the characteristics and the advantages of different cities and empha-

size different elements and try to really solve one or two problems. They should exchange ideas and learn from each other to spur the in-depth development of the pilot project in the 18 cities. We have the following suggestions: We can set up enterprise capital-boosting mechanism (in Harbin, Shenyang, and Baoji); turn "substitution of allocations with loans" into the state's capital fund (in Taiyuan and Tangshan); deal with the loss of properties and hidden losses and outstanding accounts uncovered during inventory taking and auditing (in Qingdao, Chongqing, and Zibo); restructure the debts (in Tangshan and Changchun); separate out enterprises' social functions and redirect the workers (in Zhuzhou); allow enterprises to merge and go bankrupt (in Tianjin, Shanghai, Shenyang, and Liuzhou); separate government and enterprises and explore ways to set up state properties supervisory, management, and utilization systems (in Shanghai and Qingdao); and reform the enterprise cadre management system (in Chongqing and Changchun).

4. Do a good job with enterprises in general and continue to implement the "Regulations on Change of Mechanisms" and "Supervision Regulations" and diligently strengthen enterprises' internal management.

We should continue to implement the "Regulations on Change of Mechanisms." On the third anniversary of the promulgation of the "Regulations," the State Economic Trade Commission plans to dispatch investigative teams to work with localities and departments on several key issues and conduct a survey of the actual implementation of the "Regulations." It is also suggested that the National People's Congress organize the relevant departments to conduct a law enforcement check of the actual implementation of the "Enterprise Law" and "Regulations on Change of Mechanisms."

We should implement the "Supervision Regulations," striving to dispatch supervisory boards to the pilot enterprises before the end of August this year. We should promptly determine a list of 1,000 enterprises to be checked and start a pilot project in the relevant provinces (municipalities and autonomous regions). We should coordinate the handing down of documents and implement the "Temporary Measures on State-Owned Enterprises' Implementation of the Property Management Responsibility System" and gradually put the system to work in some provinces.

We should strengthen enterprise management and promote technological advancement. We should work even harder on adhering to the spirit of the National Enterprise Management Work Conference to organically combine reform and management. We should strengthen the enterprise leading groups and, depending on the

amount of jurisdiction over the cadres, organize the localities and departments to study the leading groups in the large and medium-sized state-owned enterprises systematically. If enterprise profits are lower or if they incur losses due to problems in the leading groups, we must be resolute in making changes. We should continue to go deep to "change the mechanisms, focus on management, make internal improvements, and increase efficiency" and organize the localities and departments to focus on some exemplary enterprises with good management and popularize their experiences. We should vigorously promote technological advancement, make the industrial policy our basis, let market demand be our guide, revolve around the readjustment of the industrial structure and the product mix, and strive to increase the "two proportions" (the proportion of technological transformation investment to society's total fixed assets investment and proportion of technological transformation loan to all bank loans). We should focus more on the important points, follow the principle of "selecting the superior and helping the strong," help the crucial trades and enterprises start transformation projects to increase size and raise the standards, increase technological investments, and accelerate the pace of transformation. We should tightly integrate technological development, the importing of foreign technologies, and technological transformation and strive to improve the quality and efficiency of economic growth. We should diligently get organized and carry out the State Technological Supervisory Bureau's "Suggestions on Further Strengthening Work on Enterprise Quality" and strengthen the random sampling of products and deal with substandard products. We should organize the specialized economic departments to work on the collection, analysis, announcement, and ranking of advanced technologies and economic indices for different trades and industries. We should study and draft the "Suggestions on Work To strengthen Enterprise Management Under the 'Ninth Five-Year Plan'."

5. Strengthen implementation and strive to get solid results in improving the large and medium-sized state-owned enterprises.

We should continue to go deep into the realities of life to investigate, get some first-hand knowledge, and grasp the actual progress of various reform projects. We should hold special topic discussions in a timely fashion, focus on the difficult policy issues, exchange experiences, hold in-depth discussions, and promote breakthroughs. We should handle the relationship between reform, development, and stability properly. The intensity of reform and readjustments should take into consideration the state's, society's, enterprises', and the workers' tolerance and consider our agricultural, financial, and

monetary capabilities. We should work on the comprehensive coordination of everyday economic functions, avoid wild fluctuations in production, strive to increase the quality and efficiency in economic growth, and guarantee the stability and unity of the contingent of workers. We should link reform to development and produce some solid results in the large and medium-sized state-owned enterprises.

Finance & Banking

Vice Finance Minister on Financial Policy

HK2308052795 Beijing JINGJI RIBAO in Chinese
6 Jul 95 p 1

[By staff reporter Qian Fengyuan (6929 7685 0337): "Sticking to a Moderately Tight Financial Policy—Notes From an Interview With Vice Finance Minister Liu Jibin"]

[FBIS Translated Text] More than half of 1995 has passed. After having experienced a few major reforms in the economic structure, including finance and tax, what is the financial situation in China like? With the present economic circumstances, can there be any changes in China's financial policies? To answer these questions, our staff reporter visited the Ministry of Finance.

During the interview, Vice Minister Liu Jibin first introduced us to the financial situation in the first half of this year. He said as far as the performance of the budget in the first five months is concerned, the financial situation is basically good. From January to May, national financial income (excluding income from loans) was 187.528 billion yuan, 32.9 percent of the budget for this year, and exceeding the figure for the same period last year by 18.1 percent. National bonds have been issued smoothly.

However, some budgetary problems cannot be overlooked. These problems are:

—The increase in financial income of the central government has been slow. From January to May, the financial income of the central government exceeded the same period last year by 2.7 percent, 15.4 percent lower than the rate of increase of national revenue income and 35 percent lower than the rate of increase of local revenue income. The reasons for this are: 1) Tax reimbursements on exports for foreign trade enterprises increased greatly. In the first five months, tax reimbursements for exports by foreign trade enterprises was 30.733 billion yuan, 16.904 billion yuan more than the same period last year, which reduced income. 2) Income from customs duties fell owing to a decrease in the number of imported products on which duty was required. In the first five months, income from customs

duties was 12.3 percent less than the same period last year; and 3) The capital income from key construction in energy and transportation and income from the national budget readjustment funds has decreased compared to the same period last year. This is because such taxes are no longer collected from non-state enterprises.

—Revenue expenditures increased more than income. From January to May, national revenue expenditures increased 28.9 percent over the figure for the same period last year, 10.8 percent higher than the rate of income growth. Expenditure by the central government increased 23 percent, 20.3 percent higher than the rate of income growth, and expenditure by local governments also increased by 32.1 percent.

When asked about how to carry out the moderately tight fiscal policies under the present political and economic situation, Liu Jibin introduced some relevant ways of thinking and plans.

As for the problems with the budget for the first few months, the Ministry of Finance will concentrate on the following tasks to increase income and control expenditure in the second half of the year:

1. Strictly manage taxes on the basis of law, strengthen tax collection and management, and insure that budgeted income is fulfilled. Take effective measures to collect unpaid and overdue taxes, strictly collect surcharges for overdue tax payments from those who do not pay taxes according to the stipulated time-frame, and strengthen the management of reducing and remitting taxes. All units and individuals should strictly abide by the unified tax laws of the state; nobody has the right to set personal policies to reduce or remit taxes which go against the stipulations of the state, or set such precedents. Strengthen the checking and management of value-added taxes; give heavier punishments to those who evade taxes and commit tax fraud. Speed up the execution of the system of declaring income taxes to be paid and strengthen the collection and management of income tax.

2. Strengthen the management of tax reimbursements for exports. The State Council has decided to reimburse taxes on exported goods according to the lowered tax reimbursement rate beginning 1 July 1995. After the new system is put into effect, the Ministry of Finance will further improve its management of tax reimbursements for exports, stress the examination of declared exported goods, and attack serious tax fraud crimes relating to tax reimbursement.

3. Carefully clear out "small exchequers" and strengthen the management of capital outside of the budget. Include

all capital that should be put into the budget and firmly cancel all that should be canceled.

4. Strictly control revenue expenditures, control the tendency of quickly increasing expenditures, and make sure that budget expenditure is carried out. The arrangement of revenue expenditures should stick to the principle of guaranteeing key projects while squeezing ordinary projects. Strengthen budget restrictions, block all possible leaks and strictly control wages and institutional consumption. Administrative units and enterprises should carry out the wage policies set in 1993 and pay back wages. The average wage increases of enterprise staff should not be greater than the increase in the enterprise's labor productivity. Combat extravagance and waste and severely investigate and punish acts of extravagantly wasting state property.

Sichuan's Chengdu Hosts Investment Forum

HK2308051995 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 27 Jun 95 p 2

[By staff reporter Dai Lan (2071 1526): "Centering Around A Common Target of Development—Sidelights of 1995 Chengdu International Symposium on Financial Structural Reform in Southwest China"]

[FBIS Translated Text] People have been following with interest the development of the southwestern part of China these days. The recent practice of "shifting the focus of both foreign and domestic investment westwards to China's inland regions" indicates that the southwestern region will grow into another hot spot in China's economic development. The 1995 Chengdu International Symposium on Financial Structural Reform in Southwest China, which was jointly sponsored by the Asian Development Bank, the People's Bank of China, and the State Council Economic Development Research Center, was convened in Chengdu the other day. Experts and scholars from the financial circles of different countries and regions, including Germany, Britain, the United States, Canada, Japan, Singapore, Thailand, the Philippines, Hong Kong, and China gathered in Chengdu to discuss a general plan on helping China's southwestern region realize economic take-off through reform of the region's financial structure.

Establishment of a Regional Financial Center—Both Chinese and Foreign Experts Aired Their Own Views on the Topic

Countries like Japan and Singapore are successful examples of the establishment of a regional financial center. The establishment of a regional financial center can serve as a catalyst, or a springboard, for the development of an entire region, noted Professor Hahn

Gitt Tamm [ang jite tamu 2491 1015 3676 1044 1191] of the University of New South Wales in Australia, who was keen to study the reform and development of China's economic, financial, and enterprise systems. He added that the rapid establishment of a regional financial center and vigorous implementation of effective reform measures will both prove conducive to boosting the economic development of China's southwestern region.

Mr. Chiang Mei-ping, associate professor of the Faculty of Finance at New York University, shared the same view, noting that one strong argument is that the development of a regional financial center can help facilitate intensive management over the urban central production [cheng shi zhong xin sheng chan 1004 1579 0022 1800 3932 3934] of regions which are far apart so as to narrow the widening chasm between the coastal cities and cities in other parts of the country.

Since China's inland areas are home to the country's industries which enjoy a fairly high technological capability, it is of great appeal to foreign investors to gain a share of the consumption market of China's inland areas. China's opening of its financial fields to the outside world is now being expanded from the country's special economic zones and coastal areas to its inland areas, and this represents an inexorable trend of future development. At present, many far-sighted foreign-funded enterprises in China are gradually shifting their focus towards the inland areas, and a sharp increase has been registered in the number of cooperative projects between international financial institutions and China's inland areas. As part of its bid to gradually establish a network which can fan out to all parts of China, Japan's Bank of Tokyo, which has been doing business with China for as long as four decades, will upgrade its Beijing representative office to a branch next month; moreover, the bank also has the intention to upgrade its Chengdu representative office at a later stage. When asked about his views on the development of the region, Mr. Hung Yun-sheng, chief representative of the Beijing and Chengdu representative offices of Singapore's Overseas Union Bank, believed that from a long-term point of view, Chengdu, one of China's populous provincial capitals, will play a tremendous role in accelerating the economic development of the country's southwestern region. During his recent visit to Chengdu, Singapore Prime Minister Goh Chok Tong put forward a proposal that a working committee be set up to help Singapore investors familiarize themselves with the current development situation in Sichuan Province.

Favorable Opportunity Bestowed To the Southwestern Region by History—An Opportunity

That Five Provinces and Seven Places Should Seize Tightly

Ranking the first among China's major regions in rich material and natural resources, the southwestern region covers 27.5 percent of the country's total area, with a population accounting for 21.3 percent of the national total. Principal leaders of the five southwestern provinces and seven places (namely, Sichuan, Yunnan, Guizhou, Guangxi, Tibet, Chongqing, and Chengdu) present at the meeting told us that the five southwestern provinces jointly set up an economic coordination zone as early as the time when China decided to implement a coastal development strategy and shifted its development focus eastwards. In recent years, the five provinces and seven places have increased the weight of coordination, and have made joint efforts to open up new markets in both South and Southeast Asia.

Over the past few years, China's southwestern region has attained the following noticeable results in joint development:

It is a common goal for southwestern provinces and cities to speed up the construction of major sea-bound thoroughfares. With efforts over the past nearly four years, Beihai City, one of the major sea-bound thoroughfares of the southwestern region, has achieved initial results in urban construction; the Nanning-Beihai Railway has been completed and put into operation; and the Nanning-Kunming Railway, another sea-bound thoroughfare in the region, is expected to be completed ahead of schedule and open to traffic in 1996. The day is not far off when all southwestern provinces and cities can head for the markets of Southeast Asia, the Pacific Rim, and the India Ocean through the sea-bound thoroughfares of the Beihai, Fangcheng, and Qinzhou Ports of the Beibu Gulf.

The region has also made considerable headway in establishing cooperative economic and trade ties with Southeast and South Asian countries. Chengdu and Kunming have already established air links with Thailand and Singapore; the Kunming Commodities Fair, which regards Southeast and South Asian countries as major trade partners, has been held for two consecutive sessions; the region's border and regional trade with Vietnam, Laos, and Myanmar [Burma] has entered a phase of steady development; investment by Thailand and Singapore in the southwestern provinces and cities has experienced fairly big growth; medium and small-sized power-generating equipment made in China's southwestern region has gained access to markets in the Philippines and Pakistan; the Ertan Hydropower Station with a generating capacity of 3 million kw and the Chengdu-Chongqing Expressway, which are the biggest

investment projects of the World Bank in southwest China, are currently under construction; and capital from Hong Kong, Taiwan, South Korea, Europe, and North American has also begun to flow into the region.

With the aim of changing its unfavorable geographic conditions, the southwestern region has adopted a strategy of "going to the sea with borrowed vessels, doing business with foreign countries across borrowed borders, collecting eggs laid by borrowed hens, and putting on shows on borrowed stages." However, just as the principal leaders of the five provinces and seven places have said, southwest China is, after all, a region where the development of reform and opening up is relatively backward. Moreover, a wide gap still exists between the southwestern region and other parts of the country in economic development standards and the per-capita income of residents, and there has been a trend for this gap to grow wider and wider. In 1993, the State Council formulated and promulgated the "Regional Program for the Development of Southwestern and Southern Provinces and Regions," with a view to implementing the country's strategic decision to shift the focus of its economic construction westwards.

Bridging the Gap Between the East and West of China—A Topic Much Talked About by Experts and Scholars

The issue of bridging the gap between the central and western regions and the coastal areas has been a topic for discussion among experts and scholars in recent years, and has also sparked the concern of people living overseas. How do we narrow the gap between the eastern and western parts of the country?

Mr Lou Jiwei from the State Commission for Restructuring the Economy noted: In view of the current development trend of the world's economy, which is featured by regionalization and the formation of groups, different areas of China's southwestern region should make concerted efforts and make greater use of their geographic advantages of "three along's" (along coastal lines, along the Chang Jiang, and along borders); give better play to their superiorities in industrial production during the process of promoting exploration of natural resources, agriculture, and tourism; and strive to develop the "three circulations," which means literally information and transportation, commodity circulation, and capital accommodation. By so doing, they can successfully bring along the economic development of the entire region.

Mr Ma Jiantang from the State Council Development Research Center believed that joint development needs the backing of sufficient capital. China's imbalanced

economic development will inevitably lead to an imbalanced distribution of capital. The accommodation of such imbalanced capital distribution entails financial centers. In view of this, we need to concentrate our efforts on the development of western China, and integrate the use of foreign investment with that of domestic funds flowing into the western region so as to turn the region into a financial hub. Alongside the progress of financial structural reform, the financial industry of the southwestern region, which enjoys great potential, will surely undergo great development; moreover, other parts of the country will also extend their financial industries to the southwestern region, thus opening up a new prospect featured by mutual promotion and assistance between the advanced and the backward.

Dr Lin Lin of the Sichuan Provincial Academy of Social Sciences held the view that we should refrain from being impatient for success in the work of narrowing the gap between the eastern and western parts of the country and should carry out work in different steps: The first step is to, through the hard efforts of several years, successfully keep the gap from widening; the second step is to, through development over a decade or more, narrow the gap to an extent that is acceptable economically and psychologically; and the third step is to strive for the goal of minimizing the gap at a time when the whole country reaches the level of a moderately developed country....

The symposium drew on the collective wisdom and absorbed all useful ideas, and each present at the meeting aired his own views. The different ideas and views expressed at the symposium shared a common ground: China's southwestern region, where China reserves its forces for a great economic take-off, will become another economic growth point in China during the first 20 years of the 21st century.

Central Bank Issues 'Detailed' Rules on Loans

OW2208143295 Beijing XINHUA in English
1358 GMT 22 Aug 95

[FBIS Transcribed Text] Beijing, August 22 (XINHUA) — The People's Bank of China, the central bank, today revealed a detailed set of rules on loans, in a fresh move to ensure that its monetary policies are fully implemented.

The General Rules on Loans, composed of 82 clauses in 12 chapters and effective immediately, give clear definitions of loan types, terms, interest rates, borrowers, lenders, lending procedures, supervision of the quality of loans, the responsibilities accompanying loans, loan recovery, and punishments and liabilities resulting from rule violations.

The rules, to be first tried out in selected areas, are also designed to guarantee the liquidity, safety and profitability of loans, the central bank said.

Only those who are able to repay the principal and interest and have already fully serviced old loans and interests are qualified to apply for loans, according to the rules.

Non-individual borrowers must pass annual examination by industrial and commercial departments of their borrowing record before they can apply for new loans.

Lenders can issue ratings for borrowers in accordance with factors such as their economic power, capital structure, performance and development prospects, and those with high ratings will enjoy priority in getting loans, while those with low ratings will be restricted as far as loans are concerned, the rules said.

The rules forbid government administration departments, institutions and enterprises from engaging in the loan business.

Lending and borrowing among enterprises are not allowed, and no unit or individual is allowed to force lenders to issue loans or provide guarantees, the rules stipulate.

World Bank Loan To Aid Iodized Salt Project

OW2108153895 Beijing XINHUA in English
1418 GMT 21 Aug 95

[FBIS Transcribed Text] Beijing, August 21 (XINHUA) — The World Bank has decided to lend China 27 million US dollars to help the country's iodized salt project, said an official from the China National Salt Industry Corp. (CNSIC), implementer of the project.

Guo Wenhui, chief of the iodized salt division of the CNSIC, said that the loan is comprised of 20 million US dollars bearing low interest, and seven million US dollars as a commercial loan.

Guo, who is also a senior engineer, said that the CNSIC will purchase equipment to add iodine to salt with the loan and that it will also invite international bidding for packaging facilities.

He said that the project will enable the company, which enjoys the right to monopolize production and sales of salt in China, to produce 8.18 million tons of iodized salt by the end of 1996 to meet the basic need for iodine for all the Chinese people.

Last year China produced only 3.3 million tons of iodized salt, and the ratio of iodine was below standard, he said.

About 425 million people suffer from a lack of iodine in China, accounting for about 40 percent of the total number of people lacking iodine worldwide.

Lack of iodine causes goiters, cretinism and sterility, and particularly harms fetuses and children.

Article Views Facets of Monetary Policy

HK2308060095 Beijing JINGJI RIBAO in Chinese
28 Jun 95 p 1

[Commentator's article: "Continue To Carry Out a Moderately Tight Monetary Policy"]

[FBIS Translated Text] The first half of the year has passed, and the second half is beginning. What direction Chinese monetary policy will take is a question of great concern to persons in economic circles.

Since the beginning of this year, the operational situation of the Chinese economy has been good. The national economy is continuing to develop toward the goal of macroeconomic regulation and control. But we should also note that in the first half of the year the total amount of social credit was rather high and the increase in the money supply was too large. The task of getting commodity prices to fall substantially is still very difficult. Therefore, in economic operations during the second half of the year, we should continue to persist with a moderately tight monetary policy.

Continuing to practice a moderately tight monetary policy is targeted against the present situation of severe inflation. As was shown in the latest report from the State Statistics Bureau, compared with the same month last year, this May's general level of national commodity retail prices and consumer prices increased by 17.6 percent and 20.3 percent respectively, with the growth rate dropping by 0.4 percentage points compared with the same month last year. However, compared to April this year, prices have risen 0.1 percentage points and 0.2 percentage points respectively. Considering the fact that the absolute level of original prices was rather high, this continuous rise of the relative ratio indicates that inflationary pressures have not yet been reduced.

To continue to carry out a moderately tight monetary policy is also based on another fundamental judgment in economic operations, i.e., the causes of inflation in China have not been eliminated. These causes are demonstrated in: 1) investment in fixed assets continues to develop too rapidly. The scale of investment exceeds economic endurance in every respect and investment lacks effective control. In the first quarter of this year, the number of newly started projects reached 8,000 and the scale of investment was 52 percent higher than last year; 2) consumption funds increased too quickly

and have exceeded growth in labor productivity; and 3) economic efficiency is rather low. These factors intensify the shortage of funds for construction and production and force banks to supply excessive amounts of money, which results in inflation. Therefore, though the rising trend of commodity prices has slowed down, the root causes of inflation have not been eliminated, and money supply cannot be loosened.

Although the causes for inflation are manifold, it is ultimately demonstrated in excess supply money and social demand exceeding total social supply. Economic operations during the first half of the year indicate that the increase in the money supply is still on the high side and the task of withdrawing money from circulation is still difficult. Meanwhile, the increase in loans by non-banking financial institutions is excessive and the total amount of social credit is rather high. It is not hard to see that the primary task of the central bank in the second half of the year is to strictly control the money supply, and this demands the continuing implementation of a moderately tight monetary policy.

Where should the moderately tight monetary policy start for the second half of the year? Starting from the national economic situation in the first half, two aspects should be emphasized. First, restrict the loan scale for the whole year within the plan made at the beginning of this year and resolutely reduce the amount of money put in. In particular, the expansion of loans for fixed assets should be strictly controlled according to the plan and should not be loosened, while the over-rapid growth in fixed assets investment should be curbed. The central government has decided that in the coming few months, except for newly started projects approved by the central government, local authorities must not launch new large or medium-sized projects. Medium-sized and small projects should also be controlled within the general limits fixed by the state. Financial institutions should strictly adhere to this. At the same time, timely arrangements should be made for purchasing funds for agricultural and sideline products. "IOUs" must not be issued, and infringing upon and diverting these funds must be strictly forbidden. Investigations indicate that a fairly large proportion of last year's purchasing funds for agricultural and sideline products were misappropriated and diverted, which increased the supply of credit funds. This must be strictly controlled and supervised this year.

In addition, in carrying out this monetary policy, the central bank should also pay attention to strengthening the management of cash and continue to work hard on withdrawing cash from circulation; it should strive to withdraw more money and lessen pressures to put cash into circulation. In controlling the scale of basic

currency and credit loans, re-loans by the central bank should be withdrawn in accordance with the plan. The loan scale of the state banks for the year as a whole should be strictly controlled according to the plan. Stress should be laid on the adjustment and control of loans from non-banking financial institutions. According to the "Law of the People's Bank of China" and the "Commercial Banks Law", banking supervision should be strengthened to create conditions for the implementation of a moderately tight monetary policy.

The "degree" in "moderately tight" should be handled with care. "Moderately tight" is control of the total amount, and not all-round tightness. For products which are truly marketable and bring benefits, banking institutions should provide support in circulating fund loans. They should not support products that are overstocked or unmarketable. In sum, decisions should be made on the premise of controlling the total amount and according to the actual situations.

Money is created and provided by the banking system, but the amount of money supplied is a comprehensive reflection of finance, investment, consumption, commodity prices, and international income and expenditure policies. In this sense, to continue to carry out a moderately tight monetary policy is not only the strategy of one industry, but an important strategy of China's economic work and requires the combined efforts of the whole society.

Country's Increase in Foreign Reserves Viewed

HK2308060295 Beijing RENMIN RIBAO in Chinese
20 Jun 95 p 1

[By staff reporter Shi Mingshen (2457 2494 1957): "Is \$60 Billion in Foreign Exchange Reserve Too Much?"]

[FBIS Translated Text] By the end of 1994, China's foreign reserves totaled \$51.6 billion, an increase of 1.4 times over the beginning of that year. In 1995, the figure continued to rise and is now close to \$60 billion. In just a short period of 18 months, the state's foreign reserves have increased by \$38.8 billion. How should one view such a great increase in the foreign reserves? What will it bring to our economic life?

Dream of Many Years Comes True

For a long time, China's foreign reserves fluctuated at \$10-20 billion, and were as low as \$2 billion at one point. To increase foreign reserves was the state's dream of many years, which it had failed to fulfill. The smooth implementation of the new foreign exchange system in 1994 stimulated the high-speed increase of exports and attracted a large amount of foreign capital. This greatly

replenished the supply of foreign currency and nearly doubled the state's foreign reserve.

The great increase in foreign reserves has obviously strengthened the repayment capacity of China, raised China's international reputation, and turned China into one of the countries in the world which have huge foreign reserves.

According to general practice, a country's foreign reserves should be enough to pay for import needs for 3-4 months, and maintain the repayment level of 10 percent of the foreign debt balance. According to this, every month China needs about \$10 billion for imports and the present foreign debt balance of the whole country is nearly \$100 billion. It is therefore appropriate to keep \$40-50 billion of foreign reserves. But as the state's foreign exchange assets and a monetary policy instrument of the central bank, foreign reserves should also be used for unforeseen circumstances such as stabilizing the exchange rate, controlling inflation and other purposes in macroeconomic regulation and control, in addition to their use for imports and services, paying the principal and interest on foreign debts, and other daily uses. For instance, there was an imbalance between supply and demand in China's foreign currency market in the second half of 1993, and the exchange rate between the U.S. dollar and the renminbi reached 1:11. The central bank intervened in the market by selling U.S. dollars and buying renminbi. This not only met the foreign currency needs of some enterprises but successfully kept the exchange rate at 1:8.7. If the state does not have enough foreign reserves, it would not be able to act when situations of this kind arise. China is a country with a large population and frequent natural disasters and it relies heavily on foreign trade. To maintain a high level of foreign reserves now is good in dealing with unexpected risks.

Foreign Reserve Must Have Material Guarantees

Last year, China's foreign reserves increased by \$30.4 billion, a result of the Central Bank using over 310 billion yuan to purchase foreign currencies. This put great pressure on the Central Bank in putting basic currency into the market for circulation. However, given a lot of major reforms implemented in 1994 in finance, taxation, foreign exchange, foreign trade, investment, prices, and the financial and banking systems, the issuance of currency that year was kept within the plan and even dropped compared to the previous year. What were the reasons?

We have to explain the channels of the central bank in putting basic currency into circulation. Besides the channel of using renminbi to purchase foreign exchange,

there are two other channels, i.e. the use of renminbi in finance and re-loans to financial institutions. The People's Bank of China adopted several measures to cope with the new situation where foreign reserves increased rapidly and the proportion of the use of renminbi in foreign exchange in the total capital of the central bank rose enormously, such as suspending financial overdraft borrowing, recouping re-loans, reducing special loans, and opening special renminbi deposits. This reduced the balance of financial overdraft borrowing from 9.3 percent at the end of 1993 to 2.5 percent at the end of 1994, and the proportion of re-loans to financial institutions from 83.3 percent to 16.7 percent. This basically blocked the flow of basic currency through the financial use of the renminbi, greatly reduced the quantity of basic currency flowing out through re-loans, and thus checked the swelling of currency in circulation. Since the beginning of this year, the central bank has adopted an appropriately tight monetary policy and has taken such measures as raising interest rates on re-loans and interest rates on commercial banks' fixed assets loans and increasing the turnover of the foreign exchange balance of commercial banks. This caused a fall in the increase in the money supply and the month-by-month reduction of the use of the renminbi by foreign reserves, and partially reduced the negative effect of the rapid increase in foreign reserves.

One thing is worth mentioning. Because of the increase in foreign reserves, the basic currency used in the purchase of foreign reserves has a material guarantee overseas, and it can be converted at any time into U.S. dollars for payments overseas. But currency put into circulation through re-loans or the financial use of the renminbi belongs to credit circulation and does not have a material guarantee, and this is the real source of currency inflation. Some specialists hold that among the three channels, if the proportion of the use of renminbi in foreign reserves increases while the proportion of the use of the renminbi for re-loans and financial use decreases, the structure of currency put into circulation is healthy and in accord with international practice. This shows that the method used by the central bank to control the currency has been improved.

Not a Cent Is Idle

The foreign reserve of \$60 billion, minus the needs for three months' imports and about 10 percent of the balance of foreign debt, are still more than enough. Are such large reserves a waste? Some people are even worried.

"In fact, not a cent of the foreign reserves is idle," a man in the trade said.

Foreign reserves are a monetary policy instrument and the state's foreign exchange assets. While serving daily transactions and macroeconomic regulation and control, they should also maintain and increase their value to meet the needs of the state for future benefits through investment. The administration and management of the foreign reserves is one of the duties of the People's Bank. In line with the principle of safety, circulation and value-addition, part of China's foreign reserves are left in China for commercial banks to provide foreign exchange loans and for enterprises to purchase foreign exchange; the rest is deposited by the central bank in different foreign banks or used to buy foreign government bonds in different currencies, different interest rates, and different periods, and is also used to trade on the international foreign exchange market for the purpose of maintaining and increasing value and avoiding risks.

After repeated study and practice in recent years, China has established a rather complete foreign reserves operation and management system, made some achievements in maintaining and increasing the value of foreign reserves, and surpassed the world level in the benefit ratio of foreign reserves. At present, how to manage the foreign reserves and make them organically combined with the state's currency, finance, foreign exchange, investment and other targets of macro policy has become a new subject with which the central bank has to deal.

***Issues on Foreign Investment, Infrastructure**
95CE0487A Beijing XIANDAI GUOJI GUANXI
in Chinese 20 May 95 pp 30-35

[Article by Chou Liping (0719 5461 5493) of the Economic Cooperation Institute of the Ministry of Foreign Trade and Economic Cooperation: "Issues on Using Direct Foreign Investment in China's Infrastructure and Basic Industry Sector"]

[FBIS Translated Text] I. The Need for Direct Foreign Investment in the Infrastructure Sector

Since the start of the reform and the opening-up drive, China's economy has advanced at a speed that has caught the attention of all the world. Nonetheless, our infrastructure (such as highways, railways, bridges, docks, ports, and airports) and basic industry, such as in energy and raw material development—the pillars of economic development—are suffering seriously from lack of improvement. They have become a "bottleneck" hindering this country's economic development. The lack of expressways and the serious shortage of railway, port, and civil aviation infrastructures have always blocked growth in China's trade and industry at critical junctures. The dire shortage of electric power and the

very technologically backward communications system have further limited China's economic development. U.S. Department of Energy Secretary Hazel O'Leary, who visited here this February, said, "Beijing loses billions of dollars each year from not having a sufficient energy infrastructure and therefore having to sit and watch as opportunities float by."

If China is to continue developing economically, its infrastructure and basic industry must catch up as quickly as possible so as to correct the imbalance in its industrial structure. The Chinese Government has clearly recognized this and, to ensure dramatic improvements in this problem area, has made developing infrastructure and basic industry the front of the front-burner agenda items in its industrial development policy. But the facts remain that the infrastructure and basic industry sector is too weak to begin with, China has very limited capital to invest toward improvements, and the gap between actual supply and demand is still quite large. According to the government estimates, to maintain an 8 to 9 percent economic growth rate, the nation's infrastructure projects would need a total investment of \$250 billion in the next five years, including about \$110 billion to build highways, seaports, and airports, \$66 billion for the electric power sector, and \$56 billion for communications. However, one U.S. analyst believes that based on the infrastructure investment projects already listed in the development plans so far announced by the central government and various localities, the total investment needed from now until the end of this century will exceed \$600 billion. As a country with an acute shortage of funds, China obviously cannot invest such a huge sum on its own. Not only that, its technological expertise in infrastructure and basic industry still lags fairly far behind that of developed countries. For these reasons, it is most necessary and essential to attract foreign capital to help build up this sector in China (in this context, foreign capital includes international loans as well as direct foreign investment).

II. Development and Current Status of Direct Foreign Investment in China's Infrastructure and Basic Industry

It was in the early 1990's that China began in earnest to open its infrastructure and basic industry sector to foreign businesses on a relatively large scale. Prior to then, the state had exercised tight control over everything in this sector, forbidding foreign businesses to get involved as a matter of principle. In the initial period of reform and opening up, the foreign capital coming into this sector was mainly in the form of international loans, including loans from foreign governments and international financial institutions. Direct foreign invest-

ment was limited to a few cooperative off-shore oil prospecting projects. In the late 1980's, the government started encouraging foreign businesses to invest in some infrastructures—such as construction of highways, docks, and ports—as well as to get involved in certain energy projects (for example, the Guangdong Shajiao B Power Plant, which was completed and put into operation in 1987). But the scale of openness at that time was still quite limited, and many areas, including railways, aviation, and communications, remained closed to foreign investors. Since the 1990's, China has loosened up more, opening one sector after another to foreign investment (even though the degree of openness still differs among various sectors). The form of cooperation has also become more flexible compared with the past. Foreign businesses now may undertake a joint venture, a cooperative enterprise, or a wholly-foreign-owned enterprise. Guangdong Province's Pinghu-Nantouzheng Railway was the first railway enterprise with a Sino-foreign joint stockholding system. In the second half of 1994, the civil aviation industry announced its opening to foreign businesses. Germany's Siemens is slated to get involved in building Guangzhou City's subway system. Also, China's Ministry of Posts and Telecommunications has said that to achieve the Ninth Five-Year Plan's goal of gaining \$50 million in investments, the telecommunications industry will be looking for foreign capital. The ministry has already given the okay, for example, for a Hong Kong telecommunications company to invest in and help build a Beijing-Hong Kong optical fiber cable project.

China exercises some preferential policies toward foreign investment in infrastructure and basic industry in accordance with the "Income Tax Law for Enterprises With Foreign Investment and Foreign Enterprises" passed at the National People's Congress in April 1991, the detailed procedures for implementing this law promulgated by the State Council in June of that same year, and other relevant state laws and regulations. Specifically, the main policies are:

—Enterprises with foreign investment involved in building energy, transportation, and port infrastructures in coastal economic development areas, special economic zones, and old districts of cities where coastal economic and technological development areas are located pay corporate income taxes at a rate of 15 percent. Enterprises with foreign investment in Shanghai's New Pudong Area engaged in building airports, harbors, railways, highways, and power stations also pay at this rate.

—Sino-foreign joint venture enterprises involved in building harbors and docks and enterprises with foreign investment located in the Hainan Special Zone involved in infrastructure development in the fields of airports,

harbors, docks, railways, highways, power stations, coal mines, and water conservancy that have an operational period of over 15 years may, at their application and with the approval of the local taxation authorities, be exempt from paying corporate income taxes from the first to second year after they begin making profits. From the sixth to 10th year after they begin making profits, the enterprises may pay income taxes at half the normal rate. [years as published].

—Machinery, equipment, and raw materials imported with foreign capital and necessary for such basic construction projects as energy resource development and the construction of railways, highways, and harbors are exempt from import duty and the unified industrial and commercial tax ⁽¹⁾.

The immediate effect of these encouragement measures can be seen in the growth of direct foreign investments in our infrastructure and basic industry in recent years. With fairly comprehensive and accurate data still lacking, we can only use the following to illustrate this trend: In 1992, there were 36 power plant projects involving foreign investments, including 25 joint ventures, four cooperative enterprises, and seven wholly-foreign-owned enterprises. In terms of each individual project's investment sum, there were eight projects with investments over \$30 million, 19 with investments between \$10 million and \$30 million, and nine that had investments less than \$10 million each. The combined investments for these projects exceeded the total for all previous years ⁽²⁾. Power plant projects are fairly representative of the current trend and can perhaps illustrate the present situation better than other types of projects.

Nonetheless, direct foreign investments in infrastructure and basic industry still display the following shortcomings: (1) They represent a very small percentage of all direct foreign investments and lag far behind investments in the garment industry, electronic and communications equipment manufacturing, textiles, plastic product manufacturing, food production, and the chemical and machine-building industries. (2) The investments come mostly from Hong Kong companies. An extremely small number are by big capital-rich, technologically superior international corporations in Europe and the United States. And of the Hong Kong companies, few are large corporations specializing in fields relevant to what they are investing in. Most are trading companies that devote only a very small portion of their investments to technology. (3) As for which geographic regions the investments go to, the great majority of foreign-invested power plants are within Guangdong Province. In 1992, for example, there were a total of 36 registered foreign-invested power plants. Twenty-six of these, or 72 percent, were in Guangdong Province.

The vast expanse of central and western China, with its wealth of mineral resources, is an important source of energy and raw materials for China's economic development. But, at present, foreign investments are very limited there. Mainly, there are some smallish foreign-invested coal mining enterprises and thermal power plants in Shanxi and Henan Provinces. Moreover, the characteristics described in the second point above also apply to these investors. (4) Looking at the types of projects, one can see that they are not at all diversified. Except for the power plant projects mentioned above and a few cement factories with relatively large investments, projects in the energy and raw materials development category mostly engage in mineral processing. Projects that can really solve our root problems remain rare. (5) Size-wise, most of the investments are for medium-sized to small projects. Some investors purposely keep their investments small to escape having to be screened and approved by the central government, since the state exempts projects with total investments below \$30 million from central government approval, requiring only that projects this size be approved by local authorities. Although these small projects can solve our short-term energy and infrastructure needs to a certain degree, in the long term, these projects, because they are locally approved, numerous, and scattered, can hardly achieve economy of scale. Furthermore, many of the small power plants are thermal power plants whose potential to pollute the environment cannot be ignored. (6) As for the structure of foreign investments, most infrastructure projects, such as those involved in building highways, ports, bridges, and communications systems, rely on international loans. Not many have direct investments.

III. Main Problems and Difficulties in Acquiring Direct Foreign Investments in China's Infrastructure and Basic Industry

It is clear from the above that even though China has adopted a series of encouragement measures, direct foreign investments in infrastructure and basic industry at the moment can only be said to be in the exploratory stage. Although many large international corporations are very interested in investing, they still have "only put one foot through China's door." The investment situation is still less than ideal. There are many reasons for this. One is that it has not yet been very long since China opened up its infrastructure and basic industry sector to outsiders. A look into the actual situation of many of the enterprises and reports from foreign businesses reveal the following additional factors:

1. Ineffective Industrial Policies.

China's national economic plan has always placed great emphasis on its infrastructure and basic industry. In recent years China has also promulgated and implemented many preferential measures to encourage direct foreign investments in this sector. Despite this, a root problem remains. Historically, what has been missing in our efforts to take advantage of foreign capital is a set of strong, effective policies to guide the industries to use foreign capital. For a long time, we only had internal lists of industries in which "direct foreign investments are encouraged, limited, or prohibited." Meant only for internal use by departments that approve investments, these lists lacked the openness and the guiding effect that were needed. Later, at the request of foreign businesses, the lists were made public. But now, a set of "regulations," "directions," and "lists" that correspond with China's long-term macroeconomic plan is long overdue. Its absence causes some difficulty in correctly guiding the orientation of foreign investments. This is one reason why the structure of direct foreign investments in industries has not been appropriate enough and why a too high percentage of projects are so-called "short, level, and speedy" projects [meaning projects that can become operational in a short time, have a technological level suited to medium and small-sized enterprises, and can yield quick economic results]. However, the word from departments involved is that after hard work on the part of the State Planning Commission, the State Council, and other relevant units, we can look forward to the issuance of a new "guiding list for direct foreign investment" soon.

2. State Restrictions on Foreign Investors' Domination Over Shares

Policies and regulations in China prohibit foreigners from becoming dominant shareholders or investing as the sole party in infrastructure or basic industry projects that affect the national economy or the people's livelihood. For example, the Ministry of Electric Industry recently stated unequivocally that except in the case of BOT (Build-Operate-Transfer) projects, foreign businesses generally may not own more than 30 percent of a power plant's stocks, regardless of whether the businesses are helping to improve an existing plant or investing jointly in building a new one. Considered in a vacuum, this policy would appear incontestable, since it would be impossible for either a developed or developing country to open up all its sectors unconditionally to foreign investments. However, another way to look at this rule is that it has often deprived foreigners of any decision-making voice in project development and operations and has had a certain dampening effect on

foreign businesses' enthusiasm. In addition, projects in infrastructure and basic industry tend to call for fairly large investments. If China wants to be the dominant shareholder, it will often have a hard time raising the necessary level of funding.

3. Disputes Over Rates of Return on Investment

The rates of return on investment in question here refer, in reality, to an enterprise's internal earnings rate, the greatest point of contention to date between the Chinese and foreign parties. Returns on investment are what investors expect future investments to be valued at, a crucial deciding factor in project planning. Capital is an important liquid ingredient for production, and the rate of return on investment frequently determines the direction of capital flow. Generally, capital flows from places with low rates of return on investment to places with high return rates.

Many foreign investors believe that in infrastructure projects, the Chinese government is trying to limit foreign investors' rates of return on investment to a maximum of 12-15 percent. Most foreign businesses complain that this is too low. Some argue that even people investing in power plants in the United States would not settle for anything less than a 16 percent return rate. Taking into account China's inflation rate and other factors, rates of return in China have to be at least 20 percent. In addition, foreign businesses say, because many commodity pricings have yet to be completely liberalized, joint venture enterprises are unable to set their prices independently, making it extremely difficult for investors to raise their ultimate rate of return over the limit that was set during contract negotiations.

But, the fact is, the Chinese government feels that the main factor determining the rate of return on investment is an enterprise's conduct, and that the government should not guarantee or set a rate for foreign-investment projects, but should let each project's rate be determined by its own specific situation. Enterprises can lower their operating expenses through their own actions, thereby raising their rates of return. Furthermore, the various preferential measures in place in China can reduce enterprises' tax and other burdens and help them to achieve a higher return rate.

4. Problems in Balancing Foreign-Currency Income and Expenditure

Balancing foreign-currency income and expenditure is another crucial issue. Chinese laws require foreign-funded enterprises to reach this balance on their own. An inherent characteristic of infrastructure and basic industry projects is that generally, the goods or services

they produce are sold in the domestic market instead of being exported. These projects' income, therefore, is in renminbi currency. (There are a few exceptions, such as the Dayawan Nuclear Power Plant and the Guangzhou-Shenzhen-Zhuhai Expressway. The former can earn Hong Kong dollars directly because it sells power to Hong Kong, and the latter can collect tolls in Hong Kong currency from cars from Hong Kong.) So far, however, renminbi is not a freely converted currency, causing enterprises some pretty serious problems in such things as using foreign currency for imports and outwardly remitting their profits. Foreign exchange swap markets can do some good here, but foreign businesses say there are rather big obstacles to using that mechanism. One of the main sources of foreign currency loans for investors is foreign capital banks, but many of these banks are often reluctant to give out such loans because they fear that infrastructure projects will have trouble repaying them in foreign currency. Because of this currency conversion problem, foreign businesses inevitably face a risk in gaining foreign currency, which adds to their worries about investing.

5. Limits on Project Length

China on principle limits the length of time a project may exist as a joint venture: 30 years for expressways, 20 years for thermal power plants, and 30 years for hydropower stations.

These limits were set after taking into consideration the fact that the types of projects in question involve larger levels of investment and take longer to build than the average foreign-capital project. But whether the limits are appropriate for BOT-style investing is still worth discussing. In the BOT model, the contract not only gives a foreign business the right to build and operate an infrastructure project, but also grants the business the right to comprehensive development and utilization of the land that the infrastructure project sits on. China is responsible for handing over the right to use the land and the right to build and operate a project on it, while the foreign party is responsible for designing, building, and financing the project. While the contract is in effect, the joint venture enterprise enjoys exclusive rights to operate the project and receive fees. At the end of the joint venture period, the ownership of the enterprise, its assets, and the entire project itself is transferred free of charge to the Chinese side. Thus, the shorter is the allowed time period for a project, the less attractive is the project to foreign businesses.

6. Loan Problem Difficult To Solve

With China now adopting retrenching measures to control inflation, it is fairly difficult for projects to get loans

in renminbi. As for getting loans in foreign currency, in the past few years the State Administration of Exchange Control has allowed some Chinese agencies to extend foreign exchange guarantees to foreign parties. Under this arrangement, when the foreign parties are unable to repay their foreign-currency debts with foreign currency, the agencies will use their own foreign currency to help the foreign parties to do so. Although this guarantee system still exists, in reality it is used only under very exceptional circumstances.

IV. Proposed Policies To Speed up the Acquisition of Direct Foreign Investments in Infrastructure and Basic Industry.

The discussion above suggests the following policy recommendations for speeding up the acquisition of direct foreign investments in developing our infrastructure and basic industry.

1. Increase the guiding effect of industrial policies. We should affirm the key status of basic industries and infrastructure by establishing a list of the industries and products for which foreign investment is "encouraged, allowed, limited, or prohibited." We should also make clear the encouragement measures. After the list becomes public, it should be revised periodically as the situation changes. In no way should it remain unchanged for 10 or 20 years. In revising the list, we should pay full attention to policy continuity. So the revision of the list should be merely adjustment in the main.

2. The issue of rates of return on investment finally comes down to the question of costs and prices. The key, therefore, is to use relevant policies to lead enterprises into improving their operations and management as a way to raise their rates of return. We can institute public bidding to spur foreign businesses to compete with each other, lower their costs, and thereby raise their returns. Another possibility is to speed up price reforms in the energy and transportation sectors to bring the prices closer to or up to a level with market prices. This would allow foreign businesses to rely on their own assessments of market conditions in deciding whether or not to invest. For those products whose prices still need to be controlled by the state for the time being or for a fairly long while to come, we can do two things. First, we can let the central and local governments exercise different levels of control in this area, giving the latter a certain amount of power to adjust prices (but the scope of their power must be clearly defined). Second, the Chinese side can sign purchasing contracts with investors, guaranteeing that within a specified time period, China will buy their products at the prices and in the quantities agreed to in the contracts. The investors,

however, must assume the risks in undertaking the projects.

3. In solving the problem of balancing foreign-currency income and expenditure, the following strategies can be considered: (1) Step up foreign exchange system reform, implementing as quickly as possible a rational, simple, and effective unified foreign exchange settling and selling system so that foreign-invested enterprises can buy foreign currency directly from banks. (2) Allow foreign parties to use their renminbi profits to buy products in China and then export these products as a way to acquire foreign currency. There are some challenges here though. First of all, many infrastructure and basic industry investors may not be experts in trade. To them, trade would be a new field, one that requires specialized human resources as well as unobstructed channels through which to obtain goods in China and to sell goods overseas. Also, they often would have to assume risks brought on by changes in the international market. This would definitely be a big problem for investors who are very knowledgeable in the infrastructure and basic industry field but not so skilled in international trade. (3) Allow investors to reinvest their renminbi profits in establishing enterprises that produce export goods as a way of gaining foreign currency. But here, again, investors would face the risk of getting involved in an unfamiliar undertaking. (4) Allow projects to collect payments such as electric utility fees and road tolls in foreign currency from customers belonging to the category of the three types of foreign-funded enterprises. This would be another way to solve the problem of where to acquire foreign currency. However, when there is a general shortage of foreign currency, the other foreign enterprises might very well refuse to cooperate.

As one can see, under the current circumstances, the first approach above is truly the most effective solution to the problem. Our long-term goal should be to allow the free exchange of renminbi as soon as possible. That will be the radical solution to the imbalance between foreign-currency income and expenditure.

4. Explore new funding sources and investment approaches, and speed up the widespread adoption of the BOT model in China. The BOT model has many characteristics absent in traditional investment approaches. For example, under BOT, government units and private corporations are the nominal investors, and they usually choose their contractors by soliciting international bids. Investment capital usually comes totally or in large part from the project contractors, and, within the bounds set by the host country's government, contractors are free to use their own operating and management methods to run the projects. After a project gets off the ground, it

usually recovers its costs and makes profits by collecting electric utility fees, auto tolls, or other such fees. And when the project's allowed operating time is up, it is transferred free of charge to the host country's government. Industrialists who have already used the BOT approach say this investment method has a lot of advantages. Some say "this is not just a way of investing, but also a way to improve conditions for economic growth, reduce public utility costs, and increase competition and quality consciousness in the public utility sector." For investors, this approach ensures that they can reduce their risk and recover their capital.

The BOT model is already being tested in China. For instance, Guangdong's Shajiao B Power Plant, built cooperatively with an investment from Hong Kong's Hopewell Group, started operating after only 22 months of work. That was 11 months faster than originally planned and was a world record. The enterprise has already reaped some pretty good results, including a 25 percent rate of return on the investment. Relevant sources report that there are other BOT projects in the contract-negotiation stage. Yet, China still lacks any laws in this area. In implementing this type of investment approach, we are still far from solving such problems as sharing the risks related to exchanging foreign currency and estimating the risks caused by inflation. Therefore, we should more vigorously study the general practice in international BOT use and enact appropriate laws as soon as possible. In the case of larger-scale projects that can help alleviate China's greatest economic development dilemmas, we may exercise appropriate leniency on a case by case basis in dealing with the foreign contractor's request to hold more shares in the project. We should also consider appropriately extending the project time limits for large-scale infrastructure projects. For these projects, the contracts' clauses regarding project time limits should state that if the project is faced with certain specified conditions and truly cannot be completed within the originally planned time frame, it may be allowed an appropriate extension. This is especially important for those projects, such as docks and expressways, that take a long time to build.

Despite all the problems and difficulties discussed above, one thing is certain. The future is very bright for foreign businesses investing in China's infrastructure and basic industry sector. One reason is that there is a very real and very big gap between supply and demand. Another is that the Chinese government is working hard to put in place measures aimed to reduce or eliminate various obstacles in the way of such investment. Judging from trends in development over the past few years, the reach and size of investments

in the infrastructure and basic industry sector will only grow from here on out, and investment conditions will only become more and more favorable. As China continues to open up even more—for example, by allowing foreign businesses investing in highways and railways to operate real estate development enterprises, other businesses, and advertising ventures along the routes, or by letting foreign businesses investing in port construction to act as agents for international shipping companies or freight companies—it offers foreign investors a future that grows brighter with each passing day. The crucial question is how fully investors can display their subjective initiative and creativity and rely on scientific organization and management to gain "profits due to appropriate organizational and operational structures" as a way to raise their returns on investment.

Footnotes

1. Li Jian: "The Use of Foreign Capital in Developing China's Infrastructure," published in the magazine "ZHONGGUO WAIZI," Issue No. 2, 1995.

2. "1993 Statistics on China's Three Types of Foreign-Funded Enterprises," compiled by the Accounting and Financial Department and Computation Center of the Ministry of Foreign Trade and Economic Cooperation.

*Balance of International Payments Published

95CE0540C Beijing JINRONG SHIBAO in Chinese,
15 Jul 95 , p 1

[Article by Han Hongmei (7281 4767 2734): "State Administration of Exchange Control Publishes China's FY 1994 International Balance of Payments—China's FY 1994 Balance of Payments Good"]

[FBIS Translated Text] Summary data from the State Administration of Exchange Control published fiscal year (FY) 1994 China Balance of Payments reveal that

China's FY 1994 balance of payments was markedly better than the previous year. Current accounts went from a deficit in FY 1993 to a surplus, especially foreign trade went from a large deficit in FY 1993 to a rather large surplus; capital transactions maintained a net inflow; and reserve assets increased.

1. The FY 1994 current accounts surplus was US\$7.29 billion; the non-trade deficit was US\$970 million; and the uncompensated transfer surplus was US\$1.34 billion.

According to international balance of payments statistical specifications, the total value of China's FY 1994 foreign trade was US\$197.83 billion, a 22 percent increase over the previous year. Within that US\$102.56 billion was exports, a 36 percent increase over the previous year, and US\$95.27 billion was imports, an 11 percent increase over the previous year.

The non-trade deficit was reduced from US\$2.42 billion in FY 1993 to US\$970 million in FY 1994. Annual tourist revenue and revenue from such things as port supplies and labor all increased by a rather large amount.

2. Capital transactions had a surplus of US\$32.64 billion. The increase in the capital inflow, especially from direct Chinese investment, was the most obvious. Of the US\$60.79 billion in long-term capital inflow, US\$33.79 billion was from direct Chinese investment, 1.29 times that of FY1993.

3. Reserve assets increased by US\$30.53 billion. Chinese reserve assets at the end of 1994 increased by US\$30.53 billion from the end of 1993. Within that, state foreign exchange reserves increased by US\$30.42 billion and end of year state foreign exchange cash on hand was US\$51.6 billion. In addition, China's special drawing rights increased by US\$55 million and its International Monetary Fund (IMF) reserve money supply increased by US\$51 million.

China's International Balance of Payments At a Glance

Account	Unit: US\$1 million
	1994
1. Current Accounts	7658
1. Trade	7290
Export	102561
Import	95271
2. Labor	-969

	Unit: US\$1 million
Income	22104
Expenditure	23073
3. Uncompensated Transfer	1337
Personal (Net)	836
Official (Net)	501
II. Capital Transactions	32644
1. Long-term Capital	35756
Inflow	60789
Outflow	25033
2. Short-term Capital	-3112
Inflow	1004
Outflow	4116
III. Errors and Omissions	-9775
IV> Increase or Decrease in Reserve Assets	-30421
Within That: Foreign Exchange Reserves	-30421

Explanation of Accounts

1. Trade figures are based on customs statistics adjusted in accordance with international balance of payments specifications.

2. Labor includes transport fees for goods, insurance fees, port supply and labor, tourism, earnings, bank interest, handling fees, and other accounts.

3. Uncompensated transfer includes uncompensated aid and contributions from international organizations and the governments of various countries to China and China's to them, as well as such things as overseas remittances and resident income and expenditures.

4. Long-term capital indicates contract capital with a maturity in excess of one year or capital with an unspecified maturity (such as company stock). Specifically it includes direct investment, securities investment, loans from international organizations, loans from foreign governments, bank loans, department and locality loans, deferred receipts, deferred payments, compensated trade paid to firms for the value of equipment and loans, and other accounts.

5. Short-term capital indicates capital with a maturity of one year or less specified in the contract and spot paid capital, including currency. It specifically includes bank loans, department and locality loans, deferred receipts, deferred payments, and other accounts.

6. Errors and omissions are the differences between increases and decreases in current accounts, capital transactions, and reserve assets.

7. Increases and decreases in reserve assets reflect the balance between this year and the previous year in such areas as China's gold reserves and foreign exchange reserves, and IMF reserve money supply and special drawing rights. Increases in reserve assets are expressed as a negative, so decreases in reserve assets have no sign.

Foreign Trade & Investment

Investment Grows in Beijing's Commercial Sector

OW2408100395 Beijing XINHUA in English
0812 GMT 24 Aug 95

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — Both domestic commercial businesses and overseas investors have been given a strong impetus to promote the development of Beijing's commercial sector, bringing it closer to international practices.

By the end of June this year the municipal commercial department had approved the establishment of 512 joint ventures, co-operative ventures and foreign-funded enterprises in the sector, with the total contractual investment reaching 2.022 billion US dollars, statistics show.

Meanwhile, more than 1,000 local commercial enterprises have expanded their businesses to over 20 foreign countries.

Since the founding of the Beijing Maxim's restaurant in 1982, the first Sino-French joint venture in Beijing, foreign investment has expanded from the foodstuffs, restaurant and clothing sectors to the fields of business facilities, real estate, retail and computers.

The average per project amount of foreign investment has risen from 1.49 million US dollars in 1992 to 8.66 million US dollars in the first half of this year.

At the same time, the municipal commercial sector earned 15.13 million US dollars from exports last year, and 8.46 million US dollars during the first half of this year.

"We have expanded exchanges with our foreign counterparts since last year," said Zang Hongge, director of the Beijing Commerce Committee.

Some new sales techniques and international practices such as consumer discount cards and mail-order sales have also been introduced into the local commercial market, and computerized bar codes are in widespread use.

Imports of Foreign Electronic Goods Increase

OW2308090495 Beijing XINHUA in English
0831 GMT 23 Aug 95

[FBIS Transcribed Text] Beijing, August 23 (XINHUA) — Imports of foreign electronics goods in the first half of this year was up 22.2 percent over the figure of the same period last year.

According to the latest edition of "China Machinery and Electronics News", exports increased by 46.8 percent.

Officials say that the export and import situation shows that while China has a large market demand for foreign electronics goods, it also shows that China's own electronics items are going out into the international market.

Imports of electronics components and spare parts accounted for about two-thirds of the total. During the January-June period, imports amounted to 730 million US dollars, while semi-conductors reached 220 million US dollars.

Import of electronics components for vehicles witnessed a sharp increase, due to the rapid development of China's automobile industry.

Ministry Lowers Petroleum Royalty Rates

OW2208164295 Beijing XINHUA in English
1600 GMT 22 Aug 95

[FBIS Transcribed Text] Beijing, August 22 (XINHUA/OANA) — China has lowered its royalty rates for exploiting onshore petroleum resources in an effort to attract more foreign investment.

The Ministry of Finance and State Taxation Bureau today jointly issued a "Notice of Amendment on Interim Provisions Concerning the Payment of Royalties for Sino-foreign Co-operative Exploitation of Onshore Petroleum Resources".

Royalty payments are waived for Sino-foreign companies exploiting oil and gas fields in Qinghai Province, the Tibet Autonomous Region, the Xinjiang Uygur Autonomous Region and shallow offshore areas — so long as the annual output per field is less than one million tons of oil or less than two billion standard cu m [cubic meters] of natural gas, according to the amendment.

Sino-foreign companies exploiting oil and gas fields located in other provinces, autonomous regions and municipalities are exempted from paying royalties on annual outputs of up to 500,000 tons of oil or up to one billion standard cu m of natural gas.

In Qinghai, Tibet and Xinjiang, oilfields producing one million to 1.5 million tons annually will have to pay four percent of the total annual production of crude oil in royalties; those producing 1.5 million to four million tons annually, six to 10 percent; and for those producing more than four million, 12.5 percent.

In other areas an oilfield producing from 500,000 to one million tons of crude oil will have to pay two percent of the total annual production as royalties; for those producing from one million to four million tons, four to 10 percent; for those producing above four million tons, 12.5 percent.

The amendment applies to Sino-foreign oil and gas fields which went into production after January 1, 1995.

The interim provisions were promulgated by the Ministry of Finance in January 1990. It said that royalty payments were exempted for total annual production of crude oil of each oilfield up to 50,000 tons and that of natural gas of each oilfield up to 100 million standard cu m.

Wu Yaogwen, a senior official with the China National Petroleum Corporation (CNPC), said that the purpose of these substantial cuts in royalties is to encourage the development of medium and small onshore oilfields and

to create a good investment environment for foreign businessmen.

International bidding for oil exploration in the west of China is undergoing smooth progress, and the first two rounds of bidding have attracted 500 million US dollars, Wu said.

The third round of bidding is under way and has attracted almost all the large international oil companies, he added.

CNPC, U.S., Japan Sign Gas Study Accord

OW2208163795 Beijing XINHUA in English
1539 GMT 22 Aug 95

[FBIS Transcribed Text] Beijing, August 22 (XINHUA) — The China National Petroleum Corporation (CNPC), the Exxon Corporation of the US and the Mitsubishi Corporation of Japan signed a study agreement here today for a long-distance natural gas pipeline from Turkmenistan via Kazakhstan and China to Japan and other regions.

If economic analyses support the project's viability, the main portion of this pipeline will extend over 6,000 km onshore and about 2,000 km offshore, and reach Japan possibly via the Republic of Korea, said Zhang Yongyi, vice-president of the CNPC.

Since late 1992, with the support of the Turkmenistan government, Mitsubishi and the CNPC have been actively conducting a preliminary study of the technical viability of this concept.

Exxon will take the study to a more detailed stage, Zhang said.

Included within the scope of this study will be the pipeline route and costs, identification of natural gas resources available to support the project, target markets for the gas, associated volume requirements and timing, among others.

The pipeline is expected to be among the largest in the world in terms of transportation capacity, he said.

Rural Enterprises Urged To Develop Exports

HK2308055595 Beijing JINGJI RIBAO in Chinese
5 Jul 95 p 3

[Commentator's article: "A New Setup for the Export-Oriented Economy"]

[FBIS Translated Text] The export-oriented economy of township and town enterprises has become a great motivating force for the development of township and town enterprises since the Eighth Five-Year Plan. The development tendency and important position it displays

also indicates that accelerating the development of the export-oriented economy of township and town enterprises can push forward the scientific and technological progress and structural adjustment of township and town enterprises, as well as raise the overall quality of township and town enterprises. It is thus becoming the main motivating force for township and town enterprises to realize new developments and improvements.

The reasons we say this are: First, significant changes have taken place in the world economic setup. The recovery of the global economy will undoubtedly change the investment and employment structures of most countries, further increasing the demand for imports. Some advanced countries are increasingly anxious to win their share of the market and seek investment opportunities in China. Many township and town enterprises have grasped this rare chance for development and have continually consolidated and enlarged their share of the international market so that they have quickly realized "convergence" with the world economy and rapidly upgraded their products and level of management. Many successful township and town enterprises have benefited from the rapid development of the export-oriented economy.

Second, the inherent advantages of township and town enterprises in managerial mechanisms have facilitated their convergence with the world market and international practice. The flexible mechanism of township and town enterprises, formed in the course of reform and opening up, enables their survival, development, and improvement to be closely connected with the market. The advantages of township and town enterprises in decisionmaking, personnel, incentives, restrictions, and development are consistent with the reform of the Chinese economic system and with the general direction and goals of developing a socialist market economy. These advantages can also easily meet the requirements of foreign businessmen, and suit the world market and international practice. This is an inherent reason why the export-oriented economy of township and town enterprises has developed rapidly.

Third, to narrow the gap between the western and eastern parts of the country and carry out cooperation projects between the two, it is also necessary that township and town enterprises, especially those in the eastern coastal region, grasp the chance, accelerate development, increase their scale, raise their level, readjust the structure of export goods, and further participate in the international division of labor. At present, labor-intensive export products are moving from the eastern coastal regions to the inland regions. The central and western regions are also grasping the opportunity provided by township and town enterprises shifting toward

the central and western regions and are carrying out East-West cooperation projects to further expand opening up to the east, give better rein to their advantages in resources and labor, and to speed up the development of the export-oriented economy of the township and town enterprises. A new setup of the export-oriented economy in which the east assists the west is now taking shape. If township and town enterprises want to develop from a higher starting point, produce commodities of a higher grade and higher added value, and avoid aimless and overlapping projects, they must participate more in international competition and in international economic and technological cooperation and exchange. Therefore, the drive to continually enlarge the export-oriented economy in breadth and depth has become the primary motivating force not only for township and town enterprises in eastern China but all township and town enterprises to attain new developments and improvements. This will also become a significant strategy for the economic and social development of China.

Protection of Intellectual Rights Viewed

OW2308134895 Beijing XINHUA in English
1229 GMT 23 Aug 95

["Roundup: China Stresses Protection of Intellectual Property Rights" — XINHUA HEADLINE]

[FBIS Transcribed Text] Beijing, August 23 (XINHUA) — The Chinese government has adopted a series of measures to strengthen controls of the CD and video duplication industry, and protect the rights of intellectual property.

Zhu Chuanbai, deputy-director of the Office of the Working Conference on Intellectual Property Rights under the State Council, made this remark while in an interview with XINHUA recently.

He noted that in April of last year, seven government departments, including the Propaganda Department of the Central Committee of the Chinese Communist Party and the Press and Publication Administration of China, issued an urgent circular on CD and laser disc duplication, adding that no more projects in the sector would be approved within a certain period, thereby putting a lid on the import of laser and CD production lines.

In September, a technique for identifying the source of laser discs was put into use in China's duplicating companies, making China one of the few countries in the world using it.

Starting in the latter half of last year, audio-video products and copyright departments around the country started cracking down on CD and laser disc markets.

Statistics from 28 provinces and municipalities showed that more than 4.6 million pirated audio-video products were confiscated.

In March of this year, the General Office of the State Council issued a circular stipulating that the special intellectual property right law enforcement period, starting January 1, will be extended to August 31.

Governments in rapidly developing coastal regions have kept a shrewd eye on the audio-video market. According to an official at the Shenzhen Municipal Bureau of Industry and Commerce, the bureau carried out four raids on shoddy and fake products in the first half of this year, involving more than 200 stores handling pirated goods.

At present, many townships have rules concerning intellectual property rights, and special courts have been established in Beijing, Tianjin, and Shanghai. In Guangdong, they have been established in the provincial higher people's court and the intermediate courts of Guangzhou, Shenzhen, Zhuhai, and Shantou.

World Bank To Assist Sichuan Province

OW2408083895 Beijing XINHUA in English
0524 GMT 24 Aug 95

[FBIS Transcribed Text] Washington, August 23 (XINHUA) — The World Bank today announced its Executive Board's approval of a 400-million-dollar financing for the Ertan II Hydroelectric Project in an effort to alleviate power shortage in China's Sichuan Province.

With an additional World Bank guarantee of 150 million U.S. dollars for commercial financing and an original loan of 380 million dollars approved in 1991, the World Bank financings account for about a third of the total project cost.

World Bank Task Manager Nouredine Berrah [spelling of name as received] said this project will give a momentum to growth in this inland and under-developed province and will help achieve the sector objectives the World Bank has agreed with the government of China.

The new financing, approved Tuesday, will cover continuing work on all of its program components and an expanded resettlement program for another 5,000 people.

Environmental issues have been addressed with strict adherence to the World Bank's Operational Directive on Environmental Assessment.

The loan is extended for 20 years, including five years of grace, at the bank's standard variable interest rate.

Fuzhou's Xiamen Increases Telephone Production*OW2208163695 Beijing XINHUA in English
1557 GMT 22 Aug 95*

[FBIS Transcribed Text] Fuzhou, August 22 (XINHUA) — In the first half of this year alone, the Xiamen Special Economic Zone in east China's Fujian Province generated seven million telephones, worth 700 million yuan, over seven times the figure for the same period of 1994.

Thus far, the city boasts more than 20 telephone production enterprises, including exclusively foreign-owned enterprises, Sino-foreign joint ventures and inter-unit associated enterprises.

One hundred-plus varieties of telephones have been developed and are produced in Xiamen.

Southwest Region Attracting More Investment*OW2308033595 Beijing XINHUA in English
0126 GMT 23 Aug 95*

[FBIS Transcribed Text] Kunming, August 23 (XINHUA) — Southwest China, which comprises Sichuan, Guizhou, and Yunnan provinces, and the Tibet and Guangxi autonomous regions, has become an ideal place for overseas investment.

A survey has shown that these provinces and autonomous regions approved nearly 1,000 foreign-funded enterprises involving a sum of 1.4 billion U.S. dollars in the first six months of this year.

The area has a population of 225 million and its territory accounts for more than one-fifth of the country's total and is rich in mineral, water, plant, animal, and tourism resources.

More multinational corporations, from Japan, the United States, Australia, Canada, and other countries are showing an interest in Southwest China's provinces and regions.

According to statistics, Sichuan used about five billion U.S. dollars in setting up 5,442 foreign-funded enterprises by the end of last year, and approved 418 foreign-funded projects involving 500 million U.S. dollars in the first six months of this year.

Taking advantage of its geographical location that borders Southeast Asian countries and is close to Hong Kong and Macao, the Guangxi Zhuang Autonomous Region started 5,420 overseas-funded projects by the end of last year, with actual investment reaching 2.1 billion U.S. dollars.

Last year also saw the region's foreign-funded enterprises exporting 134 million U.S. dollars' worth of

goods, accounting for one third of the region's total exports. It approved 254 foreign-funded projects involving 440 million U.S. dollars during the January-June period.

Yunnan had 1,046 foreign-funded enterprises with contractual investment totalling 2.4 billion U.S. dollars, and approved 123 foreign-funded businesses in the first two quarters of this year.

Trade With Japan Increases in Shanghai Port*OW2408101595 Beijing XINHUA in English
0823 GMT 24 Aug 95*

[FBIS Transcribed Text] Shanghai, August 24 (XINHUA) — Sino-Japanese trade is on the increase in the port of Shanghai, China's largest economic center, according to customs officials.

A report has shown that Japan has replaced the United States in becoming the largest trade partner with Shanghai, whose imports and exports with Japan in the first seven months of this year totalled 3.2 billion U.S. dollars, an increase of 66.8 percent over the same period of last year.

Imports amounted to 1.664 billion U.S. dollars, up 57.9 percent, and exports to 1.547 billion U.S. dollars, up 77.5 percent.

A local official attributed the good news to the increased amount of merchandise, the processing of more export-oriented goods, the rise of imports by foreign-funded enterprises, and the expansion of exports by state-owned enterprises.

Shanghai mainly imported machinery and electrical products from Japan while exporting light industrial and textile goods to that country.

Tianjin Secretary Meets Toyota Company Director*SK2408112195 Tianjin TIANJIN RIBAO in Chinese
28 Jul 95 p 1*

[By reporter Wang Hong (3769 1347): "Gao Dezhan Meets With Permanent Director of Toyota Motor Company"]

[FBIS Translated Text] On 26 July, the second day of the return of the Tianjin Municipal delegation from its visit to Japan and Germany, the first group of guests—Mr. Yokoi Akisaki (name as transliterated), permanent director of the Toyota Motor Company of Japan, and his entourage—came to Tianjin to hold intensive talks on cooperation in the automobile industry. Gao Dezhan, secretary of the municipal party committee, met with the Japanese guests at the Yingbin Hotel.

During the meeting, Gao Dezhan said: Our delegation was deeply impressed by Toyota Motors during its visit to the company in Japan. We held intensive and fruitful talks with high-level leaders of the Toyota Motor Company and reached a common understanding on some important issues of mutual cooperation. We would like to extend our welcome to Mr. Yokoi Akisaki's visit to Tianjin to hold talks on further accelerating the progress of mutual cooperation. The high-level leaders of Toyota Motor Company have conscientiously studied issues on cooperation with Tianjin's auto industry, given us a quick return visit, and held talks with us. We are very pleased with this. Gao Dezhan said: Auto industry is an important pillar industry of Tianjin. Accelerating the development of auto industry is a strategic move for accelerating Tianjin's economic development. In this aspect, we should expand opening up, earnestly conduct external cooperation, act in line with the state industrial policy on auto industry, begin with cooperation in the production of spare parts, base ourselves on the present situation, keep our eyes on long-term development, and accelerate the progress of cooperation. At present, we should concentrate efforts to hold talks on cooperative items, and achieve substantial progress as quickly as possible.

Mr. Yokoi Akisaki said: Secretary Gao led the Tianjin Municipal delegation to visit Toyota Motor Company and proposed important ideas for mutual cooperation. The high-level leaders of our company attached great importance to these ideas, studied them conscientiously, and agreed to them. We have decided to seize the time, accelerate our work, and vigorously carry out the cooperative items of both sides. We hope to achieve good results in mutual cooperation at an early date.

Zheng Zhiying, member of the standing committee of the municipal party committee and secretary general, and responsible persons of the municipal foreign affairs office, the planning commission, the economic commission, the foreign economic and trade commission, and the automobile industrial general company were also present at the meeting.

Agriculture

Country Reaps 'Bumper' Harvest of Grain, Crops

HK2408012995 Beijing NONGMIN RIBAO
in Chinese 11 Jul 95 p 1

[By reporter Long Xin (7893 2450): "China Reaps Bumper Harvest of Grain and Oil-Bearing Crops This Summer"]

[FBIS Translated Text] Summer harvesting work is drawing to an end across the country. So far, apart from some localities such as Xinjian and Gansu, the

wheat harvest work basically has been completed. Most localities have verified that the three factors for determining wheat output — the number of grains in each ear, the number of ears per mu, and the weight of every 1,000 grains — have increased, with the actual harvest better than expected.

According to a report from the Ministry of Agriculture, the whole country's area sown to summer grain this year is 467 million mu, an increase of more than 3.5 million mu over last year. The summer grain output is expected to exceed 106 billion kg, slightly more than last year. The planting area for summer-harvested rapeseed topped 100 million mu, an increase of more than 17 million mu over last year. Total output is estimated at a record high of about 9 million tonnes, representing a rise of over 20 percent over last year.

We have a fairly good harvest of grain and oil-bearing crops this summer. This result was hard to come by because of our having had to conquer serious natural disasters.

First, party committees and governments at all levels have attached great importance to agriculture and grain production. Both the Central Economic Work Meeting, held at the end of last year, and the Central Rural Work Meeting, convened at the beginning of this year, stressed the need to further strengthen the status of agriculture as the foundation of the national economy. All localities and departments have taken vigorous measures to put this into action, setting off a nationwide upsurge in attaching importance to agriculture.

Second, all provinces have introduced and implemented a series of preferential policies to support grain production. To develop grain production and ensure grain supplies, all provinces, autonomous regions, and municipalities have taken some feasible policies and measures which have played a positive role in mobilizing peasants' enthusiasm for production, and in wresting a bumper harvest of grain and oil-bearing crops this summer.

Third, agricultural departments at all levels have paid attention to putting technology and equipment in place. Owing to the warm winter and the early return of spring, the seedlings of wheat and rapeseed grew luxuriantly in some localities. In addition, from February to April, affected by cold air, the areas between the Chang Jiang and the Huai He, and between the Huang He and the Huai He, have suffered from lower freezing temperature to varying degrees. For this reason, agricultural departments at all levels and the vast numbers of peasants have strengthened field management, with the focus on preventing freeze injury and fighting drought. This has

played a crucial role in reaping a good harvest of grain and oil-bearing crops this summer.

Fourth, all trades and professions support agriculture. This year, the state planning and credit departments have significantly increased input into agriculture, while other departments also have actively served agricultural production and have changed the external environment for agricultural production.

In conclusion, agricultural production has made a good start this year. Since the beginning of the year, however, natural disasters have happened frequently, especially in the middle and lower reaches of the Chang Jiang, which recently were stricken by heavy storms, causing great damage to agricultural production, and heavy losses of early rice and cotton, in particular. Hence, the Ministry of Agriculture called on agricultural departments at all levels, as well as the vast numbers of peasants, to take fall agricultural production as a hard-fought battle, and to do a good job in fighting natural disasters, providing relief work, and exercising summer management so as to wrest a bumper harvest in agriculture for the whole year.

***Income of Jiangxi Province Farmers Increases**

95CE0531T Beijing JINGJI CANKAO BAO
in Chinese 13 Aug 95 p 2

[FBIS Summary] In the first half of 1995, the per capita cash income of farmers in Jiangxi Province reached 674.98 yuan, an increase of 176.51 yuan or 35.41 percent over the same period in 1994.

***Problems Selling Edible Oil Examined**

95CE0551A Beijing JINGJI CANKAO BAO
in Chinese 2 Aug 95 p 1

[Article by Liu Jian [0491 0256]: "Why Are 200 Million Kg of Edible Oil Overstocked?"]

[FBIS Translated Text] Since early July [1995], the news from all areas throughout Henan Province has been that edible oil products are overstocked and not selling, with oil-bearing crops such as both edible oil and peanuts suffering a disastrous fall in price from their former status as hot-selling market "favorites." Henan grain-sector data show that grain departments in all areas throughout Henan alone have 147 million kg of overstocked edible oil products (including edible oil and oil pressed from oil-bearing crops). And if private overstocking is added in, that figure reaches 200 million kg, 65 percent of which is peanuts and peanut oil. That is the single largest overstocking in the history of Henan's output and sale of edible oil products.

Edible Oil Product Overstocking Causes Warehousing Emergency

On the eve of the [1995] Spring Festival, governments at all levels in Henan were still concerned about whether edible oil supplies for that holiday would meet market demand. Despite all areas having bought all sorts of edible oils such as rapeseed oil and soybean oil from places such as Inner Mongolia and Xinjiang and on the international market, market prices were still persistently high, reaching a historic peak, with the market price of peanut oil at 12 yuan a kg, up 70 percent from the same time in 1994.

But since the Spring Festival, the situation has turned around rapidly. In March, edible oil prices started to decline, with the brisk sales market slowing becoming a "bear market." By May, the mostly soft edible oil market was still showing no signs of hardening up. Reports of "edible oil product overstocking causing a warehousing emergency" were piling up like snowflakes on the desks of provincial government offices, with the worst overstocking of 15.74 million kg occurring in the Zhumadian region, and edible oil products being overstocked even in traditional edible oil selling areas. And the prices consequently fell disastrously, with the market price of peanut oil at 8.5 yuan a kg, and the selling prices of all sorts of edible oils about 1 yuan lower than the prices that they had been bought at.

With these "gold babies" that had been selling like hot cakes just a few months previously suddenly being given the cold shoulder, the operators have been complaining endlessly. The Henan Edible Oil Corporation lost 6.5 million yuan in the first half of 1995 on this one item alone and, unless it can promptly export or sell in other parts of China its overstocked edible oil, will have to pay 1.21 million yuan a month in interest on warehousing loans alone. I found that the Kaifeng County grain sector had pressed all of its overstocked peanuts into peanut oil that can endure storage, with its overstocking reaching 3.5 million kg, seven times its normal inventory.

The farmers who had always regarded peanuts as a "money tree" have also suffered a great loss. In Henan's largest peanut-producing area of Kaifeng County, farmers have 2 million kg of overstocked peanuts on hand. As I went from village to village covering the story, once farmers heard that peanuts were my subject, they came out in droves asking if I could help them sell, with one township of 100,000 mu of peanut farmland having 150,000 kg of overstocked peanuts. Data from the pertinent sector show that in Henan, where the peanut cultivation acreage has been rising steadily in recent

years, the 1995 acreage has declined 588,500 mu, down 10 percent from 1994.

Closed Market Breeds Suffering

Why does Henan have 200 million kg of overstocked edible oil products? It is understood that while Henan's 1994 edible oil output set a record at 2.25 billion kg, up 10 percent from 1993, the national supply situation shows that if the goods were flowing freely, such large overstocking would not have occurred.

The national decline in edible oil output in 1993 flowed over into 1994, creating for a time a national market panic, with panic-buying in all areas. In 1994, Henan's edible oil inventory was down to a low-point for recent years of only 45 million kg, or one-half of its normal inventory. In light of that, in October 1994 the five Henan departments of grain, transportation, railways, industry and commerce, and pricing issued a joint circular, permitting edible oil and oil-bearing crops to circulate only within Henan, with exports or outside sales strictly prohibited without the special permission of the Henan grain sector. So an artificial wall went up for a time around Henan's borders, ruthlessly isolating the market. At that time, Henan's key autumn edible oil product of peanuts was just starting to be marketed, with southern customers coming in high spirits to buy, not knowing that they would be stopped at the border. But when that news got out, outsiders stopped coming.

With the closed market going on to signal that "hoarding as a rare commodity" was going on in the edible oil market, prices rose sharply. So in November 1994, to ensure market supplies to Henan's edible oil-deficient areas, the Henan Grain Department held a meeting on supply and demand, where it decided that producing areas would sell 30 million kg to selling areas below market price on the principle of meager-profit operations. But as the producing areas complained that the price was too low, the agreement that was reached at that time became mostly a mere paper one. With farmers being so reluctant to sell, while peanut prices of the time were the highest of recent years, many farmers still hoped that they would rise further, so kept them on hand and refused to sell.

As the 1994 edible oil supply shortage was a national one, the pertinent national sectors and all provinces imported from abroad in 1994 large amounts of edible oil. Henan acquired 50 million kg in three batches from its pertinent national-sector edible oil import quota which, added to imports by all areas, gave it gross imports of 150 million kg of edible oil.

By May 1995, with overstocking throughout Henan, the ban on edible oil exports lifted, and the market opened,

Henaners discovered that the three municipalities of Beijing, Tianjin, and Shanghai, their previously three largest customers, had imported from abroad about 100 million kg of edible oil each, so that the market was already saturated.

Pros and Cons of Macroeconomic Regulation and Control

From 1994's edible oil market shortage to 1995's overstocking and selling problems, this was a problem not only for the one province of Henan alone, but rather for the whole nation, and for all sorts of reasons. Central to local governments took diverse steps such as importing edible oil, practicing counterpart supply from producing to selling areas, and converting edible oil inventories into special local reserves. That process involved many matters worth exploring.

Henan Edible Oil Corp Manager Chang Yunguang says that: "Having managed edible oil supplies for so many years, these two years of market volatility have certainly been somewhat abnormal, with all following orders to first cut back and then expand, not knowing where such large amounts of edible oil were to come from all at once. And while all say that farmers sell high but not low, I have seen certain grain departments with the same mindset. When edible oil is in short supply, they wait for the best price to sell, competing for edible oil import quotas in an attempt to make a lot of money. But when there are overstocking and selling problems, they kick the ball into the state's court, completely forgetting their own responsibility as state enterprises to curb market prices." Distorted market signals cause the state to make macroeconomic regulation and control mistakes, with Henan's 1995 edible oil product overstocking being roughly equivalent to 1994's import volume. And with it having to be said that the large-scale importing of edible oil was one of the causes of 1995's edible oil product overstocking, who should be made responsible for that? So some experts have suggested that to ensure the effective exercise of our macroeconomic regulation and control, we need to build sounder information, monitoring, and forecasting systems for our national economy, so that our macroeconomic regulation and control will be grounded in reliable statistics.

Another new market economy issue is how to exercise macroeconomic regulation and control so that consideration is given to both enterprise interests and social results. That the November 1994 goods order agreement between Henan's edible oil production and marketing regions eventually came to mostly nothing merits consideration. It started with producing areas complaining about the price being too low, so not implementing the

agreement, through either private markups or refusing to meet with those who came from marketing areas to take delivery. And after the Spring Festival, when edible oil started to be overstocked, producing areas then took the initiative to go to selling areas, demanding fulfillment of the original agreement, even selling below the agreed price, to which selling areas "responded" by refusing. Certain grass-roots grain bureau directors tell me that while their bureaus are normally treated as enterprises liable for both profits and losses, they are regarded as government departments during times of market volatility, required to curb prices, which is certainly difficult. They hold that China's national macroeconomic regulation and control form is still mostly in the category of executive order. On market terms, as such a form of macroeconomic regulation and control is playing an ever smaller role, it needs to be gradually converted to a market-economy form of regulation and control that is market-centered and makes a comprehensive use of economic means, legal means, and social policy.

***Hunan Province Reports Grain Storage**

95CE0531U Changsha HUNAN RIBAO in Chinese
12 Aug 95 p 1

[FBIS Summary] As of 10 August, Hunan Province had put 2.05 billion kg of grain in storage, an increase of 310 million kg over the same period in 1994, and fulfilled 61.8 percent of the annual task.

***Survey of Agricultural Organization, Problems**

95CE0527A Beijing JINGJIXUE DONGTAI
[ECONOMIC DYNAMICS] in Chinese 18 Jun 95
No 6, pp 17-22

[Article by Yuan Yongkang (5913 3057 1660): "The State of China's Agricultural Product Circulation Organization, Problems, and Some Improvement Suggestions"; the author is affiliated with CASS.]

[FBIS Translated Text] Since the end of 1993, more than 95 percent of China's counties and cities have announced the decontrol of grain management and prices. Taking that as a sign, the majority of the agricultural product circulation systems have taken reform steps to become fully market-oriented. This is an important step and a component in the development of a socialized market economic system in China's countryside. It is also a move that suits the macro condition the country is in after emerging in 1984 from a period of constrained agricultural supply to face a period of constrained demand due to the lack of effective demand and finding the supply and demand of grain and other agricultural and sideline products basically in equilibrium or even showing a small surplus a decade later. Therefore, market-oriented reform, marked by the

decontrol of management and prices of grain and other agricultural and sideline products, is consistent with the general reform direction. But overall, the circulation sector that links production and consumption is still monopolized by the state-run business organizations (the grain departments and cotton companies and so on) and the supply and marketing cooperatives (quasi state-run business organizations). The state-run and cooperative businesses' complete dominance essentially remains changed, nor is there any apparent change in the relative size and the distribution of their market shares. It is imperative that we analyze the current state of China's agricultural product circulation organizations, the existing problems, and the possible solutions.

I. China's Agricultural Production Circulation Is Still Completely Dominated by the State-Run and Cooperative Businesses

1. *The circulation of grain and other staple agricultural products is in danger of reverting to the old system.* Perhaps because of the lingering fear caused by the abnormally volatile grain prices in the third and fourth quarter of 1993, or because of today's severe inflationary pressure, in addition to procuring 50 billion kg of fixed-priced summer grain every year beginning in 1994, the state is also purchasing 25 billion kg of grain at negotiated price for its special reserve. Only when these 75 billion kg of state-procured grain is guaranteed are dealers other than state-owned grain enterprises allowed to get into the grain market. State-run grain enterprises are still the main players in the circulation sector that function as government and enterprises rolled into one. Clearly, discounting the peasants' own and the state's grain reserve, the absolute amount of grain left for the other circulation organizations to funnel into the grain market is minimal (the commercialization rate is only 35 percent,) and naturally the grain market is depressed. The ultimate goal of the restructuring of the grain circulation system—marketization—is in jeopardy. Grain circulation has already shown signs of reverting to the ways of the old, planned economic system. Currently, many provinces and municipalities have restored the "grain purchase coupon" system to ensure steady supply.

2. *There are few circulation intermediaries the peasants can call their own.* There should be a bridge, an intermediary, between the small producers and the big market. This bridge, or intermediary, should be the peasants' own creation. Only in this way can everyone share the peasants' worries and concerns to form an integrated body with common interests, and in this way, the small producers and the big market can link together properly, which will help cushion the shock caused by the

big market. But, regrettably there is still no such bridge, intermediary, or organization. The supply and marketing cooperatives were set up in the 1950's by the peasants who bought shares, but they have long become state-run organs; it is almost impossible to restore them to their old form now. Decades of practical reform and their dismal results have proved this point. According to a survey conducted by the Ministry of Agriculture's office in charge of the rural fixed observation points in early 1991 of 7,448 peasant households in 274 villages in 29 provinces, municipalities, and autonomous regions nationwide, with regard to the sales of staple agricultural products, only 4.1 percent of the villages handled their shipping, sales, and settlement centrally as collectives; 21 percent signed contracts collectively but let the peasant households handle sales individually; collectives provided sales information in 31 percent of the villages; 4.4 percent used other means to provide that service; as much as 39.1 percent of the villages had no information service at all; among the service organizations run by the peasants themselves, only 5.5 percent handled agricultural products sales. Because of the missing intermediary services, the peasant households and big industries and the state-run and cooperative businesses have become each other's antitheses, and consequently they have been paying a steep transaction cost. I believe that a even more dire consequence of the absence of intermediaries of the peasants' own in the poor relay of market information in the circulation sector, and misinformation in turn renders it impossible to organize the peasants to take part in meaningful socialized greater production that meets the needs of the big market. Without their own circulation in intermediaries and failing to go all out to compete in the market, it is impossible for the peasants to have a proper agricultural products pricing mechanism.

II. Domination by the State-Run and Cooperative Businesses Inevitably Leads To a Stagnant and Weak Agricultural Products Market

A basic manifestation of sluggish and weak sales of agricultural products is the lack of market participants, monopolized circulation, absence of market competition, and unreliable price signals which do not accurately reflect market supply and demand conditions and in turn cannot correctly guide the production and consumption of farm products. Restructuring of the agricultural product circulation system since 1983 has not really changed anything beyond the surface; no headway has been made with respect to the rural commodities market or changes in the market mechanisms. The traditional state monopolized purchase and sales and the state's mandatory price-setting mechanism with respect to agricultural products (grain, cotton, oil, and

tobacco) remain untouched. As a result, we still find many unreasonable phenomena in the circulation domain. There is no pricing mechanism, and there is no way to bring the agricultural products into the market and turn them into commercial goods; circulation remains stagnant and weak. Many regions still follow the traditional agricultural management method of "dumping the surpluses and playing catch-up with the shortages." The reason is that the state-run businesses and the supply and marketing cooperatives (quasi state-run business organizations) monopolize the purchase and sales of 70-80 percent of the nation's important farm products. On the one hand, the government wants them to take over its macro regulation and control responsibilities, that is, regardless of how high or low the market prices are, the grain departments and the cotton and linen companies must purchase the staple agricultural products from the peasants unconditionally, and even if it means huge losses, those procurements must be guaranteed, because that is deemed the government's duty; otherwise the government will lose credibility among its people and social stability will lose its basis. But at the same time, the government also wants the grain departments (otherwise known as grain enterprises) and the cotton and linen companies to separate themselves from the government and become economic entities that take care of their own profits and losses; it also asks them to guarantee delivery of some profit to the state. The grain bureaus and cotton and linen companies try to do what the economic men do: buy low and sell high. But that violates normal government conduct, and so the state-owned grain enterprises and cotton and linen enterprises which commingle government and enterprise behaviors are in a dilemma. Since the late 1980's and early 1990's, theoreticians and practitioners have been discussing reforms of the state-owned grain and cotton and linen enterprises; they have suggested such things as two -line, parity-and-negotiated-price, management and handing over the administrative functions to the state grain reserve bureau and so on (cotton will still be put under special management). But the huge vested interests are in the way, blocking any reform of the state-owned grain and cotton enterprises. In most areas around the country, grain enterprises still display two kinds of behavior and serve two functions, and the cotton and linen companies high and low have strengthened their monopoly in procurement and sales. Therefore, China's grain and cotton circulation is once again perplexed. Why did grain prices soar last winter and this spring, terrorizing the people for several months? Why did the government repeatedly warn about tight cotton supply and vigorously urge the peasants to plant more cotton? Why do the grain- and cotton-growers get more rebellious as the government presses harder? The ba-

sic reason is that the grain- and cotton-growers' profits are not guaranteed, and the reason for that is the poor grain and cotton pricing systems: the state's procurement prices are lower than the market's. Why is the pricing system so unreasonable? The root cause lies in the state-run purchase and sales organizations' or enterprises' monopoly and the state's mandatory prices. The mandatory prices are planned and rigid and do not reflect market supply and demand, so that once they are set, they cannot keep up with the variable market prices. That is why artificial prices are inherently passive. When the planned pricing mechanism and the market pricing mechanism act on the many interested parties in the market at the same time, conflicts and frictions are inevitable, and the market participants and legal persons are confused, creating all kinds of chaotic market relationships. This is the basic reason for the dead cotton and grain markets and the very volatile market marked by "alternating periods of abundance and scarcity." Because the state-owned grain and cotton businesses monopolize sales and purchases, other businesses have little or no chance of getting into the circulation link, resulting in no market competition, and therefore prices are not determined by supply and demand but by monopoly, and these are artificial prices; there is no normal market pricing mechanism. This basically makes the prices unreasonable. Monopoly of grain and cotton purchase and sales and other market activities by state-owned grain and cotton enterprises that are not yet independent commodities managers excludes other market participants and in turn hampers the development of the grain and cotton and other agricultural products markets, and they turn around to make the agricultural products market even less competitive, exacerbate the market stagnation and weakness, and make the unreasonable market prices even more unreasonable. It is exactly because of the existence and the unreasonableness of this basic problem, and because it is unlikely that the monopoly in grain and cotton and other staple agricultural products will end soon, the agricultural products market will not soon regain its vitality. The stagnation and weakness, the resulting false market price signals, and the relay of those wrong signals will continue to affect the peasants' traditional production behavior, and as a result, grain production will continue to fluctuate wildly from year to year.

III. Rampant Regional Separatism and Blockade In the Agricultural Products Market—The Creation and Bringing Into Play of A National Unified Agricultural Products Market Is Not Imminent

Grain is the most important agricultural product, and therefore we are using grain to make our point. Since the decontrol of grain procurement and sales prices in 95

percent of the counties and cities, it can be said that firm steps have been taken to achieve the goal of marketizing grain circulation. But despite that, and although since decontrolling grain prices, governments at all levels have had fewer risks and fewer responsibilities in the grain market, and although planned grain transfer and allocation between the provinces has been replaced by direct contact and placement of order between the grain producing and purchasing provinces, because the decontrol of grain prices in itself implies that local governments have greater responsibility in locating the source of grain, and because for other complicated reasons, the government has not and cannot sever all ties with enterprises and the consumers, the grain exchange markets and the local financial administrations and local grain enterprises are still tangled up in a thousand and one ways over various localized interests. Thus, when grain supply is tight, it is hard to imagine that the local governments will stand by and let grain circulate freely. Inevitably, they put up blockades.

The deep-seated reason for this situation is that, on the one hand, the state's policy toward regional distribution of agricultural resources is unclear, and what is being implemented and advocated is still the kind of regional self-sufficiency policy that is inconsistent with the market economy. On the other hand, grain management departments at all levels are still the appendages of the local governments; good or bad management means more or less local revenues. Consequently, there is little grain exchange between the provinces; the exchange relationship is abnormal. Primarily: (1) The volume of exchange is low: In some years during the 1990's, only 3 percent of the total grain output was bought and sold between the provinces. (2) The exchange relationship is unstable: When there is an abundance of grain, the regions transferring in grain want to cut prices and are not willing to accept shipment promptly; when there is a shortage, market blockades are set up and prices are hiked, and neither side want to honor their contract. (3) Mainly the grain-producing regions are keeping grain reserves; almost none of the purchasing regions are stocking grain. Currently, the bigger the reserve, the greater the loss, and so the producing regions are forced to cut back production to deal with the market. As far as grain is concerned, on the one hand, monopoly will not end soon, and the development of non-state-run grain enterprises will continue to face many restrictions. At the same time, because good or bad grain management directly affects local revenues, local governments have become an important and indispensable force in guiding and influencing grain management, and because different regions and different localities have different economic policies and there is little support for the central government's macro regulation and control measures, regional

separatism and blockade with respect to grain and other agricultural products will not disappear anytime soon. The development of a national unified agricultural products market is not imminent.

In essence, I believe the basic reason for the separatism and blockade in China's agricultural products market and the difficulty in forming a national unified market lies in the sluggish reform of the circulation system. (1) There is only one circulation channel, monopoly is serious, and market competition is absent. (2) The market participants (the managers) are still the appendages of local governments at various levels. To different extents, the managers always represent the interests of the government in the circulation domain. Driven by the desire to maximize local profit, they inevitably overlook the big picture, and when market supply and demand change, the localities want to protect their own interests first, and so there are all sorts of behavior that violate market laws—such as blockades, downgrading and price cutting, and price gouging. This is the core reason. (3) Market organization is primitive. Take the grain market for example. China's grain market is poorly organized. Except for the central and provincial and municipal grain departments which still act as the main channel, the other network of businesses necessary for regulating the market—such as those handling purchase, sales, shipping, and storage—is still in its fledgling stage. In particular, the futures market is underdeveloped, so that the peasants have no mid-to-long-term price signals, and meanwhile the government's price increase and price decrease measures are often interim measures, so that the peasants are "clueless," which limits their ability to go directly into the circulation domain. (4) The market system is poorly developed. The infrastructure is weak; it is poorly structured, and it serves only a single function. Conditions in the rural grain markets are especially appalling. They lag far behind the urban markets and markets for other products in the five main areas of communications, transportation, post and telecommunications, finance, and information relay. They cannot meet the needs of the increasingly commercialized and modernized agricultural development. The market cannot stretch its antennae far enough to reach every corner of the villages.

IV. Improving the Agricultural Products Circulation Organizations To Bring Prosperity To the Market Is Not An Easy Task

If the agricultural products market is to prosper, first and foremost, we must improve the existing agricultural products circulation organizations and at the same time encourage the development and participation of non-state-run businesses, so as to truly open up all channels.

But to improve the existing circulation organizations, we must vigorously develop intermediary organizations of the peasants' own and allow them to participate in the circulation domain, and at the same time, we must reform the state-run grain enterprises and supply and marketing cooperatives that are mainly responsible for grain and cotton circulation today. However, at the present time, these tasks appear formidable.

1. *Create the peasants' own market intermediaries to participate in agricultural product circulation.* Creating the peasants' own market intermediaries and allowing them to compete with other market participants is the only way to deepen the reform of the agricultural products circulation system. But for historic and other realistic reasons, currently, the peasants are poorly organized. After the implementation of the responsibility system, scattered small farm operations have become the norm in this great land. The peasants in most areas farm their own piece of land year after year, never considering putting production and marketing together. To a large extent, to be self-sufficient is the code of conduct among the masses of peasants. The operation is "small but complete," and production and management are similar and equally backward among all peasants; labor productivity and product commercialization rates are low. "Selling from the basket"-kind of operation is deeply ingrained. As the market economy spreads out, although the peasants have been given management rights, their narrow management scope and lack of management skills make it very difficult to establish them as independent operators, and adding the fact that their production and management are completely separated, we can imagine how formidable it is to organize them in any form (such as joining companies and the peasant households together; integrating commerce, industry, and agriculture; or forging a production-marketing-supply line) as they engage in socialized great production. Moreover, at the present stage, the peasants are poorly educated and mentally unprepared, and traditional behavior fostered by traditional culture and history still dictate their every move and every thought, and obviously we cannot count on them to organize themselves to form market intermediaries and in turn establish themselves in the agricultural products market and enjoy all the pleasures of free competition. Even when driven by outside forces (such as guidance from the government to encourage and help them get organized and so on,) there will still be much resistance from the peasants themselves.

2. *Restructure the supply and marketing cooperatives.* In the last 2 years, the direction of reform of the supply and marketing cooperatives has been unsteady. Some localities want to install the shareholding system; others want "cooperative-owned, civilian-operated," which in effect

is to turn them into "cooperative-owned, privately-operated" organizations. There is no consensus. Since 1958, three times the supply and marketing cooperatives have changed from collective-owned to people-owned organizations and merged with the state-owned businesses. Their essence as a collective-owned system and their characteristic as a cooperative economy have long disappeared without a trace. In 1982, focusing on the effort to turn the ownership-by-the-whole-people into the collective-owned system, a series of major reforms were implemented. But in terms of their economic nature and economic management, they are still mixed up with the state-owned businesses. The direct result is the absence of clear delineation of property rights between the state and the supply and marketing cooperatives, and the government is perennially infringing on the rights of the cooperatives. Specifically, (i) with respect to asset allocation, the state still tries to shift the financial burdens and lets the supply and marketing cooperatives carry the losses caused by the mandatory plans and state policies, and governments at all levels seize the cooperatives' assets by means of egalitarian and indiscriminate transfer and appropriation of resources. With respect to business management, many restrictions are put on the cooperatives' management scope and even on the types of goods they can handle, so that the cooperatives' independent rights are trampled or withheld. With respect to profit allocation, there are rigid restrictions on the proportional allocation of the cooperatives' after-tax profits, the wages they pay, their development funds, and their welfare funds. (ii) In terms of organizations, the government can arbitrarily change the cooperatives' jurisdictional relationship, arbitrarily transfer or appoint legal representatives whom the cooperatives have chosen by democratic process. Even members of the board of directors who are the personification of the cooperatives' property rights must be approved or appointed by the government. This kind of seizure and infringement of property rights has blurred the cooperatives' once clearly defined property rights relations. Due to their blunted sense of property rights, "the peasant cooperative members have not learned to seek, the government cannot openly claim, and the workers do not want (because of heavy debt burdens)" the cooperatives' property rights; there is no property rights owner. The direct dangers are: One, the supply and marketing cooperatives' autonomy has no material basis, so that they cannot become bona fide independent managers. At the heart of the cooperatives' new management mechanism is their autonomy according to the nature of the collective ownership system, but the governments' seizure and infringement of their property rights inevitably deprives the cooperatives of their right to make production and management and investment decisions, set product

prices, engage in import-export trade, handle personnel and labor matters, and allocate wages and bonuses and so on which are essential if they are to participate in the market economic activities. Without the right to make independent decisions, the supply and marketing cooperatives not only cannot turn to the market or compete in the market but they cannot escape the administrative interventions or end their dependence on the administrative departments, which makes it meaningless to even talk about changing the management mechanisms. Two, if the cooperatives have no property rights, they do not have the mechanism to increase property value. Because there is no clear delineation of property rights between the cooperatives and the state, whatever belongs to the state cannot belong to the cooperatives, but whatever belongs to the cooperatives can belong to the state. This naturally robs the cooperatives of their inherent motive to protect their properties; large amounts of assets cannot be transferred and cannot get into the markets for factors of production. As a result, some assets are idled or even missing, and losses are inevitable, which prevents the cooperatives from taking care of their own losses and profits. Three, the cooperatives' rights and privileges have no legal protection, which means they are not interested parties who qualify as legal persons. The market economy is a profit-oriented economy. It requires the state and enterprises to have clear and separate interests. But the egalitarian and arbitrary transfer and infringement of the cooperatives' property rights by governments at all levels have kept the cooperatives from becoming interested parties with legal person qualifications. This inevitably dampens their management enthusiasm, diminishes their profit motivation, weakens their concept of profit and competition, and prevents them from turning losses into profits. These three factors prove that the cooperatives' legal person status, which is dependent on their "autonomy and ability to take care of their profits and losses," does not have the necessary material basis, meaning the guarantee of an independent legal person's assets, and that is the basic reason for their lack of energy and vitality and for their inability to truly change the management mechanisms, and that is also why it is so difficult to reorganize the supply and marketing cooperatives.

3. *Restructure the state-run grain, cotton, and oil management organizations.* The difficulty in restructuring the state-run grain, cotton, and oil procurement, marketing, and management organizations lies in that they have long become appendages of the governments at all levels and have become very much administration-oriented. To restructure any state-run organization, we must first clarify a few things: Who is responsible for past losses incurred by the state-run business organizations (such as the grain enterprises and cotton enterprises) because of

the state's macro regulation and control policies (such as the 40 billion yuan of unsettled grain bills)? Who may share the state-run businesses' profits generated by their good management? How do we allocate the deposits which have greatly appreciated in value since the state first put the money into those businesses? How do we delineate the property rights between the state and the state-run businesses?

Theoretically, because the state-run commercial enterprises belong to the state or some other administrative department, they have no independent or complete management rights, especially the most crucial rights of allocation and employment, and even if they try to accomplish something, they will find their spirit willing but the flesh is weak, yet they must continuously take the tremendous pressure of dealing with higher wages, profits, and benefits. This is the worst hidden problem which prevents the state-run business organizations and enterprises from competing with the collectives and individual businesses. Because the state-run businesses' administration-oriented mechanisms will not be dismantled anytime soon, it will take a long time to reorganize them and turn them into commercial organizations in the true sense and make them conduct business according to market laws; we still have a lot of work to do.

V. Policy Suggestions for Improving the Agricultural Product Circulation Organizations

1. *Develop peasants' own circulation intermediaries.* It is basically impossible to truly enliven agricultural product circulation without the masses of peasants' participation. But the most direct way to get the peasants involved in circulation is to organize them to take part in business activities and turn them into an army in the circulation link, so that they can compete with other kinds of circulation organizations. The peasants have a natural advantage in participating in agricultural products circulation: First, they have a direct link to production, and second, if business activities go well, production will respond even better to circulation.

Today, the biggest problem is that traditionally, for thousands of years, peasants have a naturally inability to adapt to business. This is especially true for the peasants in the vast backward central and southern regions. That is why we must emphasize the government's intervention. That is, local government organizations must guide (or even support and help) the peasants to set up economic organs in the circulation domain, so that they can link agricultural production, agricultural products sales, and the purchase of agricultural means of production and so on together and help them to gradually learn to do business. If we do not do something to get the scattered peasants organized to engage in some kind of

socialized greater agricultural production, China's agriculture will have no future. The government must go all out to publicize the role and function of rural individual, joint-stock, and cooperative business organizations that engage in farm product circulation and give full affirmation to their role in enlivening product circulation. It should applaud the progressive individual households and partnerships that have made special contributions. At the same time, it should use every means to encourage the non-state-owned businesses to get into agricultural product circulation and truly encourage all economic components, channels, and organizations to participate in circulation. Only in this way can we change the pattern of single-channel circulation.

2. *Radically reorganize the supply and marketing cooperatives by transferring some of the below-county-level supply and marketing cooperatives' assets (including the county cooperatives') to support the peasants' circulation organizations and transferring the above-county-level cooperatives' assets to the domestic trade system.* It is impossible to restructure the cooperatives and turn them back into the peasants' cooperative economic organizations. To reorganize them, one way is to promptly sort out their assets and, beginning with the supply and marketing cooperatives at and below the county level, transfer some of the assets to the peasants' own circulation organizations and restore their cooperative economic nature. The remaining portion will continue to function as quasi state-run businesses and conduct their own circulation business. Supply and marketing cooperatives at above the county level should be put under the domestic trade system (or commercial system) and let the higher-level commercial system make use of the assets that have accumulated over several decades, so that they can do a better job at procurement and sales after they are merged with the domestic business system.

3. *Promptly complete the arrangements to separate the state-run business organizations from the government.* The state-run business organizations must cease to perform government functions. This is a basic premise if we truly want to enliven the state-run business organizations. Their original policy-oriented losses can be canceled out by the state; old accounts should be settled by the old method and new accounts by the new method. The days of eating out of the state's big pot are over. The state-run business organizations must truly get into the market and compete and make a profit as they compete. Their business scope can be determined at the local level or within the system, but one rule is to sever all economic ties with the government.

4. *The state must promptly and quickly set up a well-endowed grain, cotton, and oil reserve system. The*

establishment of a reserve and regulation system and a risk fund cannot be put off any longer. These should be funded by the state itself. The actual size of the grain and cotton reserves should be computed by experts by referring to actual practices in recent years (grain reserves should be at 80 billion jin). The state can use the reserves to exercise macro regulation and control and curb market price increases by sell off or withholding the reserve as needed. After the state builds up this grain and cotton reserves and establishes a fixed fund, all other agricultural and sideline products should be decontrolled. All types of organizations and channels should be able to get into the agricultural products circulation system. The reserve system is a special system that carries out government policies independently. Government behavior is its basic characteristic, and curbing market price increases and stabilizing the market are its basic functions. It is the basic guarantee of better and livelier agricultural product circulation.

5. Truly build a multi-channel operation. Multi-channel operation is a necessary condition if we seriously want to decontrol prices. Today, the key is to create an exchange environment for fair and equal competition and develop market participants of different economic components. The existing state-owned agricultural products business organizations must be overhauled. The focus is to push them into the market to compete with the many other market participants. Furthermore, the job of expanding and contracting the grain supply, which is the government's regulatory function, should be taken away from the state-run commercial enterprises which are purely commercial enterprises; it should become an independent system. The current practice of letting the state-run enterprise function as government and business does not help regulate the market; it actually hinders normal business operations.

East Region

Report Notes Growth of Air Service in Jiangxi

OW2408084395 Beijing XINHUA in English
0713 GMT 24 Aug 95

[FBIS Transcribed Text] Nanchang, August 24 (XINHUA) — In the latter half of last year, 14 domestic airlines, almost half the number of airlines in China, opened air routes to Nanchang, the capital city of east China's Jiangxi Province, over three times the number for 1993.

An official with the provincial civil aviation administration says that four out of China's six major airlines, China Northern, China Northwest, China Southern, and China Southwest are now operating flights to Jiangxi, along with a number of local airlines.

He said another three to four local airlines are planning flights to the province.

Experts say the development of the province's air service is basically driven by rapid economic expansion in Jiangxi, which is located in the Chang Jiang River Economic Development Zone, and the Beijing-Kowloon railway line scheduled to open next year will be a further source of air travellers.

By the end of last year, the occupancy rate for planes into Jiangxi reached 84.8 percent.

The official said Jiangxi only had eight air routes and about 30 flights each week before 1993. Since the beginning of this year, 19 more routes were opened and the province runs more than 70 flights each week.

In recent years, the provincial civil aviation authorities have invested over 30 million yuan in providing Nanchang Airport with an instrumental landing system, a better lighting and radar system, expanding the terminal building, and linking its ticket sales up with a national computer network.

Nanchang Airport has by now handled a total of 465,000 passengers, and experts expect more travellers to come by air with the new airport in Nanchang to be completed by the end of 1997 or by the early half of 1998.

Shandong Holds Enlarged Plenary Meeting 23 Aug

SK2408110195 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 23 Aug 95

[FBIS Translated Text] The enlarged plenary meeting of the provincial government was held in Jinan on the morning of 23 August. The meeting reported on the province's economic operational situation since the beginning of this year, made arrangements for the economic and social development work for some time

to come and put forward explicit demands on the current organizational reform and the building of ideology and work style of provincial-level organs.

Governor Li Chunting addressed the meeting. He said: The province's general demand for economic development for some time to come is to persist in taking Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the party's basic line as the guidance, always persist in development, start the motivation of reform and opening up to the greatest extent, strive to change the form of economic growth, grasp the three relations of readjusting the structure, increasing efficiency, and raising quality, and promote the comprehensive enhancement of the overall economic strength, competitive ability on the market, momentum for development, and the people's standard of living. In the guiding ideology, we must persist in seven aspects of work. We must persist in reform, opening up, and coordinated development; persist in integrating economic growth rate with quality; persist in unceasingly readjusting and optimizing the national economic structure; persist in concentrating efforts on handling major affairs; persist in developing the advantages of the eastern and western parts of the province in a coordinated manner; persist in achieving a coordinated development in the economy and society; and persist in the coexistence and development of various economic sectors.

In referring to the organizational reform of provincial-level organs, Li Chunting said: It is necessary to do a good job in ideological and political work, change the functions if necessary, and realistically solve the problems of failing to clearly define the duties and responsibilities of departments and of disputing over trifles while doing their work. He said: The provincial party committee and government have called on provincial-level organs to streamline about 20 percent of their office personnel and to regard this as a task which must be fulfilled. All departments should undertake this retrenchment task. The retrenchment target defined by the provincial party committee and government must be unswervingly fulfilled.

Song Fatang, deputy secretary of the provincial party committee and vice governor, presided over the meeting and gave opinions on arranging for the 1996 national economic and social development plan. Vice Governors Wu Aiyang, Wang Yuxi, Han Yuqun, and Shao Guifang; Han Bangju and Ma Changgui, special advisers to the provincial government; and responsible comrades of the provincial level departments concerned attended the meeting.

Shandong Increases Mobile Telephone Capacity*OW2408082795 Beijing XINHUA in English
0735 GMT 24 Aug 95*

[FBIS Transcribed Text] Beijing, August 24 (XINHUA) — East China's Shandong Province has imported five new large-scale exchanges from the US-based Motorola Corporation that have a total of 5,500 information channels and a capacity of 165,000 mobile telephones.

Over the past five years, the province has conducted four such expansion projects, and at present, the public mobile communication network has 17 exchanges and 125 basic stations, as well as 5,000 information channels.

About 140,000 clients are subscribers, and by the end of next year, the province is expected to establish a larger mobile telephone network with a total capacity of more than 450,000.

Correction To Paper on Technology-Strong County
HK1808072195

The following correction pertains to an item headlined "Jiangsu's Wuxi Seeking Room for 'Growth'" published in the 17 August China DAILY REPORT on page 44:

Column one, make sourceline read: ...Beijing CHINA DAILY in English 16 Aug 95 p 5... (correcting date).

Central-South Region**Guangdong Curbs 'Over-Rapid Growth'***OW2408100195 Beijing XINHUA in English
0820 GMT 24 Aug 95*

[FBIS Transcribed Text] Guangzhou, August 24 (XINHUA) — The prosperous south China province of Guangdong has achieved initial success in implementing the central government's macro-control economic policy of curbing over-rapid growth in investment in fixed assets.

Statistics show that investment in the sector stood at 60.28 billion yuan in the first seven months of this year, up only 4.2 percent over the same 1994 period, compared with the average annual rate of 31.4 percent for the past 16 years.

A local official said that the provincial government has halted some construction and real estate projects to rein in years of runaway increase in fixed assets investment while giving financial priority to key sectors such as energy, transportation and telecommunications.

Between January and July this year investment in capital construction and renovation rose merely 2.7 percent year-on-year to 44.4 billion yuan. In 11 cities of the province the growth was negative during the period.

Thanks to a slowdown in the growth in fixed-assets investment, the provincial retail price index and consumer price index in the first seven months were no longer among the highest nationwide, with the two indices in June and July having already fallen within the government control target.

Guangdong Official Views Fixed-Assets Investment*OW2208140395 Beijing XINHUA in English
1324 GMT 22 Aug 95*

[FBIS Transcribed Text] Guangzhou, August 22 (XINHUA) — Fixed-assets investment in south China's Guangdong Province is expected to expand by around 28 percent this year, Zhang Gaoli, deputy governor of the province, told a conference here.

The provincial government originally projected a total investment of 240 billion yuan in fixed assets at the beginning of this year, and the final result is now expected to reach 260 billion yuan, Zhang Gaoli said.

In the first half of this year, the province, an economic powerhouse neighboring Hong Kong, registered an increase of 15.4 percent in fixed-assets investment.

Zhang said that, during the past four years, investment in the province amounted to about 570 billion yuan, which enabled the province to maintain a rapid economic growth.

Fixed-assets investment totaled 204.6 billion yuan in Guangdong in 1994, up 25.6 percent over the previous year.

The growth rate of investment now stands at an appropriate level in the province, in line with the central government's macro-economic control policy, analysts said.

Overheated investment in China during the early 1990s was one of the major factors leading to double-digit inflation in the past two years, forcing the government to tighten the reins on economic growth. Fixed-assets investment went as high as 58.5 percent in the province in 1993.

Article Views Drug Problem in Guangdong*HK2308053295 Beijing RENMIN RIBAO in Chinese
27 Jun 95 p 11*

[Article by Jiang Yaping (5592 0068 1627), contributed by GUANGDONG GONGAN BAO: "The White Spectre Is Challenging — Perspectives on the Drugs Issue in Guangdong Province"]

[FBIS Translated Text] Editor's note: Today, the whole world is facing the grave challenge of drugs, and

China is no exception. In China, where drugs had once been eliminated, the dying embers of drug abuse and trafficking are glowing again in recent years due to the erosion of drugs coming from outside Chinese territory. Bearing the brunt is China's southern province of Guangdong, which borders the South China Sea as well as Hong Kong and Macao at the hub of new international drug-trafficking routes. At this late hour, the grim situation in Guangdong is deteriorating.

What is rejoicing is that the people of Guangdong, who enjoy the glorious tradition of fighting against drug abuse, have given a firm answer, the same one as given by Lin Zexu when he destroyed the opium in Humen at that time: We will launch a people's war against drugs! Although the campaign against drug abuse will take a long time to complete, so long as the people of Guangdong and of the whole country take concerted efforts, the day of victory can be expected soon. [end editor's note]

Opium, as a medicine, was first brought to China from Arabia as early as the Tang Dynasty, yet in very small amounts. It was not until the Qing Dynasty during the first half of the 18th century that opium was taken by people as a drug instead of being used as a medicine.

Drug taking was regarded as an "incurable disease" before liberation. After the founding of New China, cures were found for this "incurable disease."

On 3 June 1951, Guangzhou held its first anti-drug rally of an unprecedented size, at which drugs were destroyed. On 21 May 1951, the central people's government issued a "General Order on Prohibiting the Use of Opium and Other Narcotic Drugs." This anti-drug campaign lasted for more than a year, and virtually wiped out the bad influence of drugs which had affected Guangdong for more than a century.

However, a number of social evils have re-emerged over recent years. The spectre of drug use and trafficking is now wandering around the Divine Land.

Guangdong, which is located at the hub of new international drug-trafficking routes, is a main battlefield for the nationwide anti-drug campaign.

The Once-Dormant Waves of Drug Trafficking Are Surging High Again

At 1500 on the afternoon of 27 July 1981, a drug trafficker arriving from Thailand was arrested at Guangzhou's Baiyun Airport. This was the first drug-trafficking case cracked by Guangdong since the drug-elimination campaign of the 1950's.

On 18 September of the same year, the Guangdong provincial people's government promulgated its "Tem-

porary Provisions on Prohibiting the Trafficking and Use of Drugs," which provided a basis for the establishment of special anti-drug squads by public security organs in all localities across the province. This marked the beginning of a prolonged struggle between Guangdong Province and drug traffickers both inside and outside China.

What makes the drug traffickers so fearless in what they are doing? The answer is: They can make staggering profits from it.

With the arrival of the 1990's, the scourges of drug smuggling, trafficking, and manufacturing have spread to all cities and counties of Guangdong Province, and the situation is becoming increasingly grim with each passing day. In 1994, Guangzhou cracked more than 4,000 drug-trafficking cases, 600 of which were major ones, arrested over 1,700 drug traffickers, and ferreted out over 270 kg of narcotic drugs (including over 170 kg of heroin). Yangjiang City cracked some 20 drug-related cases and arrested more than 70 drug addicts and traffickers in 1991; in 1994, however, the total number of drug-related cases cracked by the city and the total number of drug traffickers and drug users arrested soared to more than 1,200 and 2,700 respectively.

The above are only official figures on the files of public security organs. After all, there is always a chance of an error no matter how careful one is.

Today, drug trafficking has developed from an activity carried out by individual criminals to organized crime involving drug-trafficking gangs. Chief drug dealers usually have their own "underlings" and informants and are engaged in both the wholesale and retail of drugs by modern telecommunications and transportation means. Once their criminal activities are brought to light, some drug rings stage armed counter-attacks.

Moreover, drug trafficking and drug use have become interrelated to each other, and more and more people "use the profits they earn from drug trafficking to maintain their addiction to drugs." In order to get enough money to buy drugs, many drug addicts have engaged themselves in the criminal activity of drug trafficking. In addition to leaving sufficient amounts for their own use, they will also mix the leftovers with other drugs and then sell the stuff to their "addict friends." This huge number of drug addicts has given an impetus to the frenzied activities of drug dealers, while the large supply of drugs provided by drug dealers will in turn lead to a constant expansion of the ranks of drug addicts. Thus, a vicious circle is formed between trafficking and the use of drugs.

A Psychological Analysis of Drug Addicts

The number of drug addicts within Guangdong is increasing several-fold each year. Today, the composition of drug addicts is not limited to people without fixed jobs in society, but includes cadres and staff working in state organs as well. Even some young and ignorant middle and primary-school students have joined the ranks of drug addicts.

People feel perplexed: Now that they know the hideous nature of the illegal activity of drug taking, why do these drug addicts still indulge themselves in drugs instead of extricating themselves from drug addiction?

Some took drugs out of curiosity. What is the taste of heroin? Is it true that it can make people high? Among some 30 young drug addicts being treated at a drug clinic in Kunming, over 60 percent took up the habitual craving for drugs out of curiosity. Some considered it fashionable to take drugs. Guangdong is the first to benefit from reform and opening up, and a large number of people are now leading a well-off life. "Only those who have both money and ability can afford this," some boasted, regarding drug addiction as a symbol of their affluence. In many localities in Guangdong, real-life stories are spreading about how "the use of drugs depleted the resources of a hotel in as little as three years" and "drug addiction turned a millionaire into a pauper." Others took drugs as a relief. "Once you have a couple of puffs, you will forget all the suffering around you." Unfortunately, after they become addicted to drugs, it is no longer so simple an issue as "having a few puffs"; instead, they have to try all they can, by fair means or foul, to satisfy their urge to have "a couple of puffs" regularly.

Startling Consequences of Drug Abuse

Like all social evils, drug abuse brings great harm to society.

Drug use ruins people's health physically and mentally. In order to have enough money to buy drugs, a man named Zhao Minglian in a returned-overseas-Chinese farm stole more than 30 bicycles in 1994. Fatally affected by the drugs, he contracted hepatitis, which has now developed into late-stage cirrhosis. Upon his arrest by police, he sighed sadly: "Whether or not you put me under arrest, I am a doomed man."

Drugs also ruin businesses and break up families. Some individual businessmen painstakingly built up their businesses and made a lot of money; after they became addicted to drugs, however, their businesses went bankrupt and they were heavily in debt. Fathers and sons became enemies, brothers were on bad terms, husbands and wives fell out, and relatives became

resentful to one another. There are also people who were forced to take the road to ruin.

Drug taking is an illegal activity in itself, and is also the root cause of many other crimes. A drug addict needs several hundred yuan to buy drugs each day, therefore, he would risk danger in desperation once he is short of money to buy drugs. Women addicts become prostitutes, while men addicts, robbers. A survey has shown that 53.8 percent of drug addicts have also committed other crimes.

Crisis and Hope Coexist

Lin Zexu gave the warning over 150 years ago that opium would ruin the country.

The teaching of the deceased remains fresh in our memory, and the alarm bell is ringing.

At a provincial meeting on procuratorial and judicial work held in February 1995, Guangdong Governor Zhu Senlin solemnly declared war against drugs, calling on the people of the whole province to "wage a people's war against drugs."

Chen Shaoji, a member of the standing committee of the provincial party committee and a director of the provincial public security bureau, pointed out sharply during an inspection tour of the western areas of Guangdong in early March this year: "The current drug problem is no longer an ordinary security problem, but a major social issue which is closely related to the happiness of thousands upon thousands of households and has a great bearing on the stability of society and the fate of our nation."

It is true that we still have a long way to go before a fundamental solution can be found to the re-emerged issue of drugs, and this mission can by no means be fulfilled just by launching a few society-wide crackdown campaigns. However, a severe crackdown can still be considered one of the most effective measures of all. So long as we learn from the effective prescriptions used in the past, plug all loopholes and oversights and omissions in our work, further improve legislation, increase the weight of the crackdown campaigns, and follow up victory with hot pursuit, drugs can certainly be stamped out in China eventually.

Article Views Science, Technology in Guangdong

OW2408101095 Beijing XINHUA in English
0820 GMT 24 Aug 95

[FBIS Transcribed Text] Guangzhou, August 24 (XINHUA) — Guangdong, a pioneer province in economic reforms and opening to the outside world in China, is giving top priority to science and technology.

This south China province, bordering on Hong Kong, has the Shenzhen Scientific and Technological Industrial Park, the first zone of its kind in the country that has introduced some 100 new types of technology in electronic information, new materials, and bio-engineering — three pillar industries of the industrial park.

The Zhongshan New and High Torch Technological Development Zone, which pays close attention to developing marketable products, has had remarkable achievements in the development and production of new materials, pesticides, and genetically-engineered nitrogen-fixing bacteria, and high-energy nickel-cadmium and nickel-hydrogen batteries.

The Guangdong Weida Medical Apparatus Company, which was awarded the title of "New and Hi-tech Group Enterprise in Guangdong" last year, has been keeping up with the international medical apparatus market. Its products are well received in 15 countries and regions in Southeast Asia, Central Africa, South America, Oceania, and Eastern Europe.

The key to the successful development of new and hi-tech industries in the province is ensuring the application of the market mechanism to development and employing qualified and capable personnel.

The province gives new and hi-tech enterprises autonomy and encourages privately owned enterprises to give preferential treatment to scientists.

That people with outstanding contributions are given handsome salaries is a fairly common scene in Guangdong, whether they work for state-owned companies, or collectively-owned, private, or Sino-foreign funded joint ventures.

Only recently, Zhuhai City gave 500,000 yuan (about 59,523 US dollars), an Audi car, and an apartment to the developer of "WPS.NT Word Processing System" who was with the Hong Kong-owned Kingsun Computer Company.

The province sticks to its policy of combining self-development with introducing new and hi-tech industries. Local scientists, who are new in such international practices and conventions as the Patent Law, want to push their technology on the international market.

To make up for a local lack of professionals, the province has attached importance to bringing in talented people in various ways, and many in turn have made significant contributions to the local economy.

A printing ink expert brought from Hong Kong works for the Shunde Jinlong Printing Ink Industrial Corporation and has developed some 40 kinds of high-grade

printing ink products, which are selling well on both the international and domestic markets.

In pushing its new and hi-tech enterprises down the pathway of industrialization, internationalization, and group-orientedness, Guangdong will focus on four pillar industries: electronic information, new materials, biotechnology, and photoelectricity.

By the year 2000, the province expects to raise the annual output value of new and hi-tech products to 16-18 percent of its gross annual industrial output value, to develop a number of new and hi-tech enterprises and groups, to build 50 sci-tech enterprise groups each with annual sales exceeding three billion yuan, and to create more famous-brand products.

To do so, the province will expand science foundations at all levels, and inject more into the sci-tech sector, whose growth rate must be higher than that of revenues.

By the year 2000, about three percent of expenditures will be used in this field and the Guangdong Development Bank will act as a designated financial institution in support of new and hi-tech enterprises in the province.

Hainan Reported 'Rich in Natural Gas' Reserves

OW2408084495 Beijing XINHUA in English
0720 GMT 24 Aug 95

[FBIS Transcribed Text] Haikou, August 24 (XINHUA) — Hainan, China's largest special economic zone, is exceptionally rich in natural gas and oil reserves, according to the latest findings.

Major basins in the South China Sea have prospective reserves of 58 trillion cu m of natural gas and 29.2 billion tons of crude oil.

The natural gas and crude resources in the Yingge Sea, at Qiongdongnan, at Beibuwan and at the mouth of the Pearl River are more than 3 trillion cu m and 2.3 billion tons, respectively.

An official with the Hainan Provincial Bureau of Economic Cooperation says that exploration by the China Ocean Petroleum Corporation during the past decade found proven reserves of 90.8 billion cu m of natural gas at the 13-1 gas field of Yinggehaiya, which is now under development and will produce 3.4 billion cu m of natural gas in 1996 and five billion cu m at later stage of development.

Proven reserves at the Dongfang 1-1 gas field are 80.1 billion cu m. This gas field will produce 2.1 billion cu m of natural gas when it is put into operation at the end of 1998 or the beginning of 1999.

The official said that other proven reserves include 17.9 billion cu m of natural gas at the Le 15-1 gas field and 30 billion cu m at the Shenhua 9-2 gas field southwest of Wenchang County.

Newly discovered gas fields include Ya 35-1, Le 20-1, and Ya 21-1.

Proven reserves of 2.2 billion cu m of natural gas have also been discovered in an area near Haikou, the capital city of the province, and may be developed soon.

Starting from 1996, the Nanhai Western Petroleum Company will accelerate the pace of exploration, and output will be 10 billion cu m by the year 2000, and 21 billion cu m by the year 2007.

The official added that part of the natural gas at the Ya 13-1 gas field will be sold to Hong Kong in 1997 and pipelines have been laid for this purpose. The rest of the gas will be used for a fertilizer plant to be built.

Hubei's Jia Speaks at Provincial Work Conference

SK2408043495 Wuhan Hubei People's Radio Network in Mandarin 1000 GMT 22 Aug 95

[FBIS Translated Text] In his summing-up speech at the provincial work conference on the private and individual sectors of the economy that was held on 22 August, Jia Zhijie, secretary of the provincial party committee, said: The private and individual sectors of the economy have become a major pillar in comprehensively promoting the economy of the province. So long as the people from higher levels downward across the province further emancipate the mind, rush to grasp favorable opportunities, keep forging ahead, and realistically do solid work, will our province certainly be able to realize the goal of greatly developing and improving the private and individual sectors of the economy and will the private and individual sectors of the economy be able to make new, greater contributions to rejuvenating Hubei.

Jia Zhijie set forth several opinions in line with the guidelines of the conference.

He said: We should accurately understand the situation, foster the awareness of suffering hardship, and further mobilize the sense of urgency for making great development and improvement. The private and individual households across the province generally have the problems of low-level development, small-scale strength, scattered organizational structure, and poor quality. To this end, the people from higher levels downward across the province should remain clear-headed, continue to emancipate the mind, approach from a strategically high plane of taking the overall situation into consideration to deepen the understanding about the importance of accelerating the development of the private and individual

sectors of the economy, persist in principle that development is an essential criterion, further accelerate the development of the private and individual sectors of the economy, and elevate the private and individual sectors of the economy to a new height.

Jia Zhijie said: The key to elevating the private and individual sectors of the economy to a new height hinges on defining ideas. In the foreseeable future, our province should persist in the policy of upgrading the standing, scale, and level and of increasing economic results in the course of developing the private and individual sectors of the economy. In regard to the guiding ideology, we should realistically persist in the work in six aspects. That is, persistently take the economic results as a key link to follow the development path characterized by quality and efficiency, persistently bring into play the efficiency of [words indistinct] to follow the development path of [words indistinct], persistently claim kinship and rely on assistance to follow the development path of coordinating kinship claiming with reliance on assistance, persistently (?develop specialized markets) to follow the path of belt-shaped economic development, persistently optimize the trade structure to follow the development path of high-class structural layers, and persist in scientific planning and make reasonable distribution to follow the development path of regional economy and cooperation.

Jia Zhijie pointed out: By carrying out the policy on equal collection of taxes, we should collect taxes in equal terms. By carrying out the credit assistance policy, we should pioneer various layers and channels to solve the problems caused by shortage of capital. By carrying out the policy of protection, we should safeguard the legal rights and interests of the private and individual households. By carrying out the policy on reducing burdens, we should resolutely check the behaviors of wantonly collecting funds, wantonly imposing fines, and wantonly apportioning expenses. The governments at various levels should attend to the work of lightening the burdens of the private and individual households just as they do to reduce the burdens of state-owned enterprises and the peasants. We should carry out the policy of politically being equal and economically giving preferential treatment so as to improve the living and working conditions of the private and individual households.

Jia Zhijie finally stressed: We should strengthen leadership, realistically do solid work, and strive to elevate the private and individual sectors of the economy to a new height. The top party and government leaders at various levels should pay attention to, be concerned with, and support the development of the private and individual sectors of the economy; put development in the impor-

tant work agenda; often go deep to reality to conduct investigations and study; and solve in a timely manner the major problems surfacing in the course of development. It is necessary to strengthen departmental service. The departments concerned should simplify work procedures, improve work efficiency, and realistically resolve the difficulties in handling affairs. The propaganda departments at various levels and the press units should create a good media environment for developing the private and individual sectors of the economy. The party committees at various levels should pay attention to setting up party organizations and communist youth league organizations among the private and individual enterprises. It is necessary to give different instructions to different enterprises. Generally speaking, the localities with a fairly good economic foundation should base themselves on continuously maintaining a higher development speed and seize the opportune moment to make great improvement; and the localities where the economy is comparatively backward, particularly the mountain areas, should [words indistinct], individually bring their own advantages into play, and follow the devel-

opment paths of their own. We should persistently do solid work. What we want to have is a real speed and real efficiency. Those who practice fraud and make false reports should strictly be handled when discovered.

The two-day conference also summed up and exchanged the experience in developing the private and individual sectors of the economy gained in the previous stage, and studied the thinking of making great development and improvement as well as the policy measures in the foreseeable future.

At the conference, Governor Jiang Zhuping made an important report and comprehensively made arrangements for developing the private and individual sectors of the economy.

The participants heard the economic situation introduced by the representatives of the private and individual households of some counties and cities. The responsible persons of the provincial-level departments concerned also made speeches, setting forth major measures for accelerating the pace of development.

Signed Article Views Li's 'True Colors'

OW2308163795 Beijing XINHUA in English
1622 GMT 23 Aug 95

[FBIS Transcribed Text] Beijing, August 23 (XINHUA/OANA) — The XINHUA NEWS AGENCY today published a signed article titled, "Li Teng-hui the Person", exposing Li's true colors as someone scheming to split the Chinese nation.

The article, composed of four parts in about 9,000 Chinese characters, said that facts reported by newspapers on both sides of the Taiwan Straits and overseas Chinese-language newspapers have helped people to come to know Li's true nature as a traitor to the principle of one China and someone plotting to separate the country.

The article cited a great deal of historical facts to refute Li's arguments for "two equal political entities", "splitting the country and ruling under separate regimes", "common life community of the Taiwan people" and "international living space".

It said that whether Li has been advertising "two Chinas" and engaging in activities of splitting the motherland should be judged by whether what he says and does serves to safeguard the country's sovereignty and territorial integrity or not.

It is universally known that there is only one China in the world, and that Taiwan is an inalienable part of China. As a region of China, Taiwan is by no means a sovereign state. "However, Li has been making a fuss about this indisputable issue," the article said.

Since he gained power in Taiwan, Li has wrapped around him all kinds of disguises to mislead the Taiwan people and cheat public opinion there so as to realize his political schemes, the article pointed out.

The article said that the disastrous cause of the instability across the Taiwan Straits is Li's stubborn sticking to his anti-communist and anti-reconciliation stand. Li has always been hostile to the mainland, the article added.

By sticking to the theory of "splitting the country and ruling under separate regimes" and pursuing "pragmatic diplomacy", Li Teng-hui is trying to bring about "two Chinas" or "one China, one Taiwan", the article pointed out.

"The Chinese people will never become reconciled with or tolerate such theory and practice, as this is an issue of principle that has a bearing on the fundamental interests of the Chinese nation as well as on state sovereignty," the article noted.

Article Views Taiwan's UN Membership Bid

HK2408044695 Beijing RENMIN RIBAO OVERSEAS
EDITION in Chinese 19 Aug 95 p 5

[Article by Liu Wenzong (0491 2429 1350), professor of the International Law Research Institute under the Institute of Diplomacy: "Diehards Will Become Persons Condemned by History — On Li Denghui's (Li Teng-hui's) Clamor of 'Returning to the United Nations'"]

[FBIS Translated Text] Each year in recent years, Li Denghui [Li Teng-hui] has peddled his "pragmatic diplomacy" on the eve of the convocation of the UN Assembly, and started a clamor of "returning to the United Nations," thus revealing his nature of stubbornly creating "two Chinas" and "one China, one Taiwan."

Taiwan is a province of China, not a sovereign state. Back in 1943, the Montevideo "Convention on the Rights, Interests, and Obligations of States" stipulated: "A state, as a juridical personality, must possess the following qualifications: 1) Permanent residents; 2) Specific territory; 3) Government; 4) Qualification to establish ties with other countries. Oppenheim's "International Law: A Treatise" further explains the fourth point as "sovereignty." Why did Oppenheim attach such great importance to sovereignty? Because only by possessing sovereignty is it possible for a state to be an international juristic person, and for it to participate in world affairs as the representative of all people of the country. A puppet state might possess the first three conditions, but it is not a "government possessing sovereignty," hence it has no right to represent the people to participate in world affairs.

Since ancient times, there has been only one China, which is a national entirety that taken shape through the merger of political, geographical, national, historical, and cultural traditions. On numerous occasions in history, old dynasties were replaced by new ones, but there has always been just one China; no part that separates from the body to exist as an antithesis will ever be tolerated. That is precisely our overall national interest, as well as the Chinese territory and Chinese nation, which the Chinese people have sworn to defend, sparing no bloodshed or any sacrifice whatever, for generation after generation. Chinese history has told us that the sovereignty of China, including Taiwan, belongs to all Chinese people. Sovereignty is unified, and cannot be severed; it is also exclusive. Today, only the Government of the People's Republic of China is able to represent the Chinese people to exercise sovereignty; no local government (including the Taiwan authorities) has the right to exercise sovereignty at the United Nations as representing China or Taiwan.

Li Denghui has indulged in unbridled propaganda on such concepts as "Taiwan must have a rational status in the world," "so that the 21 million people in Taiwan region may have effective representation in the United Nations; only then will it conform to the spirit of "universality of memberships" of the United Nations. It is imperative to indicate that the United Nations is an international organization comprising countries that enjoy sovereignty. The UN Charter stipulates: "Peace-loving countries...may become UN members", "all member-countries are equal in sovereignty," and this prerequisites that only sovereign states are allowed entrance into the United Nations. As a region of China, Taiwan is not qualified to enter the United Nations. In accordance with the Charter's principle on "equal rights and interests for all countries, large or small," China and India, which have the largest populations in the world, may become UN member countries, whereas the Principality of Andorra, the smallest duchy in Europe which boasts a population of only 15,000, also may become a UN member-country. The so-called "universality of memberships" is applicable to sovereign states only; by no means does it apply to any region based on population as a criterion. Population numbers have never been a condition for entering the United Nations. Should Li Denghui ground his demand for returning to the United Nations on Taiwan's population of 21 million, then does it mean that many provinces or states in China and India, with their populations far exceeding that of Taiwan, all will be allowed to enter the United Nations? Obviously, they are not allowed to do so. Li Denghui's theory of realizing the "universality of memberships" based on population is entirely a distortion of the UN Charter.

In actual fact, UN Secretary General Butrus-Ghali has on several occasions expressed his position on the issue of Taiwan's "returning to the United Nations." In 1993, Secretary General Butrus Ghali said: "Taiwan is part of China's territory, and has no right to 'return to,' 'enter' or 'participate in' the United Nations." Last year, the secretary general said: "The UN position on the Taiwan issue is based on UN Assembly Resolution No. 2758. To us, there is only one China. We refuse to have any direct or indirect contact with Taiwan." On the eve of the activities celebrating the 50th anniversary of the signing of the UN Charter this year, the secretary general reiterated: "Taiwan cannot return to the United Nations as a member of this organization. That issue has already been resolved through a UN resolution." Anyone who has some commonsense in politics can see that the secretary general has spelled it out firmly, explicitly, and thoroughly. Nevertheless, Li Denghui is bent on making trouble groundlessly; he wants to "challenge the impossible," set the United Nations as the

primary target in his "pragmatic diplomacy," and peddle to the international community the idea that the so-called "ROC exists in Taiwan," and "is an independent sovereign state" in a vain attempt to create "two Chinas" and "one China, one Taiwan" inside and outside the United Nations.

Then, does this mean that Taiwan compatriots do not have "international space for survival?" But they have; Taiwan can develop normal trade and economic ties and cultural exchanges with various countries in the world. The PRC has fully taken into consideration the interests of Taiwan and its compatriots in legislation (for example, the formulation of the law on territorial sea and its adjacent areas) and in signing international treaties. Chinese institutions functioning abroad have done their best to strengthen ties with Taiwan compatriots, lent ear to their opinions, taken care of their interests, and done their best to help them resolve their difficulties. In actual fact, the so-called "lack of international space for survival" with respect to Taiwan compatriots does not exist. The "international space for survival" that Li Denghui wants is precisely the space to create "two Chinas" and "one China, one Taiwan, and the space to pursue "Taiwan independence" or independent Taiwan in a big way. Naturally, the Chinese Government and the international community will never allow him such space.

A popular saying goes: Whoever understands the times is a great man. Li Denghui must think thrice: Whether he should make contributions to realizing cross-strait "peaceful reunification," "one country, two systems," and share the dignity and honor of the great motherland in the world, or whether he should risk universal condemnation, stubbornly pursue and create the "two Chinas" and "one China, one Taiwan" policy, and be reduced to a sinner of the nationality after Wang Jingwei [3076 4737 5898]!

Taiwanese Businessmen Invest Heavily in Jiangsu
OW2408085695 Beijing XINHUA in English
0751 GMT 24 Aug 95

[FBIS Transcribed Text] Nanjing, August 24 (XINHUA) — During the first half of the year, east China's Jiangsu Province approved 370 joint ventures involving Taiwan businessmen, with a combined contractual value of 730 million US dollars.

The province has always been first in China in utilizing Taiwan investments, and by the end of June, Taiwanese had put 11 billion US dollars into about 5,600 joint ventures, in 64 counties and cities.

Large and medium-sized projects involving Taiwan investment have kept pace, with the number of projects

involving more than 10 million dollars of Taiwanese money amounted to 100, compared with a mere five in 1992.

Among the top 100 enterprises in Taiwan, about 20 have put money in Jiangsu, and started to divert investment from labor-intensive enterprises to technology and capital-intensive enterprises since the beginning of last year.

Statistics show that the energy and transportation sectors, and infrastructure have begun to attract more and more Taiwanese investors, and most joint ventures have shown good economic results.

Military Exercises To Proceed on Schedule

OW2408100995 *Taipei CNA in English*
0920 GMT 24 Aug 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Aug. 24 (CNA) — Minister of National Defense Chiang Chung-ling said Thursday that an October military exercise to commemorate the 50th anniversary of victory over Japanese aggression and the retrocession of Taiwan from Japanese colonial rule will be conducted as scheduled.

Minister Chiang also predicted that Mainland China will continue to hold a series of military maneuvers in the wake of the two missile tests in waters near Taiwan in July and August.

Beijing issued a stern statement attacking president Li Teng-hui after he announced his bid to seek the KMT nomination for next year's presidential election Wednesday.

Chiang predicted that Beijing will conduct additional military maneuvers in the next few months, but he refused to disclose details.

Chiang said that the Beijing's military exercises have been routine, but Beijing could use them to try to suppress sentiment for Taiwan independence.

When asked whether the October military exercise would fuel tension between the two sides of the Taiwan Strait, Chiang said that he believed it would not, and that the exercise would go on as planned.

Li Teng-hui Announces Reelection Bid

OW2308140495 *Taipei CNA in English*
1020 GMT 23 Aug 95

[By Sofia Wu and Bear Lee]

[FBIS Transcribed Text] Taipei, Aug. 23 (CNA) — President Li Teng-hui, also chairman of the ruling Kuomintang [KMT], Wednesday announced that he will run in the KMT's primary election for its presidential candidate.

Li made the long-awaited announcement at the closing ceremony of the two-day Second Plenary Congress of the [words indistinct] KMT's 14th National Congress at the Taipei International Convention Center.

In a brief statement, Li said now that the KMT has [word indistinct] its presidential candidate nominating procedures, he formally announced his determination to run in the party's primary.

"I have made the decision after long and careful consideration," Li said, adding he earnestly hopes all congress

delegates and party members will support his bid to win the party's nomination to run in the ROC's [Republic of China] first-ever popular presidential election scheduled for next March.

According to an eight-point package of regulations governing selection of the KMT's presidential nominee, the 1,973 delegates to the 14th National Congress have [words indistinct] to vote on Aug. 31 at six cities around the island to elect the party's presidential candidate.

In an earlier speech to the closing ceremony, Li said he believes that in the 21st century all Chinese, including those living in Mainland China and overseas, will benefit from the glorious achievements the 21 million people in Taiwan, Penghu, Kinmen and Matsu have made under the KMT leadership.

Li also reaffirmed the KMT's commitment to continuing promoting democratic reform and economic development in Taiwan following a string of democratic reforms under the KMT leadership, Li said Taiwan has become an open and pluralistic society.

As such, Li said the KMT is facing even stronger competition in maintaining its ruling status. "Against this backdrop, all KMT members must stand united to take on new challenges ahead," he said.

Emphasizing the importance of discipline, freedom and vitality, Li said the unity he is calling for is the kind that upholds the party's ideals and principles and respects party organization and system.

"We need intraparty unity to implement our party's platform and reach our party's ultimate goal of developing a great Taiwan and building a New China," he said, adding that without unity, the party may face defeat.

Moreover, Li said the KMT must also continue to promote responsible, rational reforms in a pragmatic manner to stimulate progress within the party and in the country.

However, he said the reforms the KMT is carrying out are not radical and emotional. "We would also not blindly renounce all past achievements," he added.

During the past two days, Li said the congress delegates have passed resolutions designed to complete the party's political missions at the current [word indistinct] and have also mapped out ways to help party nominees win in the year-end Legislative Yuan election and next year's presidential and National Assembly elections.

I hope all party members will work hand-in-hand to implement all those resolutions to win the support of all people here," he said.

During the two-day plenary meeting, the congress delegates passed a number of resolutions, asking all party members to do their best to fulfill the political missions for the party.

The resolutions emphasized that the most important mission for the party at the moment is to win the legislative election in December, and the presidential and National Assembly elections, both scheduled for March 1996. Saying the three elections would be crucial to "whether the KMT will be able to continue to serve as the ruling party to a new era for the nation", the resolutions called on party members to stand firm behind the party candidates.

The resolutions also stressed that the party will stick to "the three [word indistinct] principles of the people" to safeguard the Republic of China's security and development, and will thoroughly carry out constitutional democracy to build the ROC into a wealthy and strong nation.

The KMT also reiterated its anti-communist stand and opposition to the "Taiwan independence" advocacy.

At the same time, [word indistinct] resolutions also asked the government to make more efforts to strive for a greater role for the ROC in the international community, to beef up defense capability to deter possible military adventurism by Beijing, to maintain domestic monetary order, to improve the national health insurance program and to pursue educational and administrative reforms.

Soon after the conclusion of the Party Congress, the Central Advisory Council, consisting of 345 senior KMT members, also convened a meeting in the afternoon to present proposals on [word indistinct] and national affairs.

The 210 members of the Central Committee will meet in the evening to partially reshuffle the policy-making Central Standing Committee. [passage indistinct]

Li Receives U.S., Japanese Legislators

OW2408103395 Taipei CNA in English
0927 GMT 24 Aug 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Aug. 24 (CNA) — President Li Teng-hui said Thursday that political reformers should have ideals and remain committed to enhancing the well-being of the people.

Speaking during a meeting with parliamentarians from the United States and Japan, Li added that reforms that come from personal interests or craving for power will

not succeed and the leaders will be turned away by their people.

Li stressed that since he took the office as a president, he has tried his best to run the government based on the hopes and wishes of the people. He has carefully listened to the voice of the people and tried to understand their wishes and use them as basis for mapping out policy and active reforms, he said.

During the meeting, the parliamentarians wished Li luck in his bid for another term as ROC president. Taiwan will hold its first ever popular presidential election in March 1996.

Li also said Beijing's ongoing military exercises off the northwest coast of Taiwan are unwise and confusing. He added that such moves not only affect regional stability and also galvanize Taiwan anger at Beijing.

Li stressed that the unification of China has been his long-standing goal, but unification must come under the principle of freedom, democracy and equal distribution of wealth.

The U.S. delegation included representatives Peter King (R-N.Y.) and Gary Ackerman (D-N.Y.). The 10-member Japanese delegation was led by Shigeru Ishiba.

Investors in Mainland Planning Beijing Visit

OW2408102595 Taipei CNA in English
0916 GMT 24 Aug 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Aug. 24 (CNA) — Taiwan businessmen with investments in Mainland China will travel to Beijing next month to convey their concern about the tense cross-Taiwan strait relationship, sources said Thursday.

Cross-strait relations have been at low ebb since President Li Teng-hui's groundbreaking visit to the U.S. in June. Recent missile tests by Beijing off Taiwan's northwest coast have also affected ties.

As Beijing hardens its position toward Taiwan, businessmen here have begun to worry about how the developments will affect their interests on the mainland, sources said.

Representatives from Taiwan business associations in Guangzhou, Shenzhen, Huizhou, Hainan, Wuhan, Chongqing, Dongwan and Nanning are expected to go to Beijing in mid-September to visit Wang Zhaoguo, director of Taiwan Affairs Office under the State Council, to convey their wish for stable and peaceful cross-strait ties.

In addition, the Taipei-based Chinese National Federation of Industries (CNFI) has recently received a number of calls from Taiwan investors in the mainland, asking CNFI chairman Kao Ching-yuan to lead a delegation to the mainland to convey their desire for cross-strait peace.

Kao has proposed to Mainland Affairs Council chairman Hsiao Wan-chang that the CNFI be authorized to act

as an intermediary between the two sides. But Kao has been dissuaded from leading a delegation to the mainland because of his status as a member of the KMT's Central Standing Committee.

Sources said that Kao, who was reelected to the Central Standing Committee Wednesday, is not expected to make the trip soon.

Hong Kong**Reporters Still Missing in Fujian**

*HK2408080895 Hong Kong MING PAO in Chinese
24 Aug 95 p A3*

["Special dispatch": "NEXT Weekly Editor-in-Chief Leaves for Fujian To Find Out About Two Missing Reporters"]

[FBIS Translated Text] Two reporters from NEXT weekly who went to Fujian to cover how the missile test had affected local life did not return as scheduled. The pair are still missing. Chang Chien-hung, deputy editor-in-chief of the magazine, who is now in Fuzhou to find out what has happened to the duo, said that the two reporters are still missing, but he believed that they had most likely been detained by the relevant mainland unit.

Chang said their seasoned reporter Wat Wing-yin and photographer Tse Ming-chong had been scheduled to return to Hong Kong last Monday.

He went to various government departments yesterday in the hope of finding out the truth, but failed to contact the responsible cadre concerned, so he did not know which unit had detained the two.

In addition, the magazine also asked local XINHUA officers for help, but has not received an official response.

Chang and Wat Wing-yin's husband arrived in Fuzhou two days ago to find out about the situation. Chang said that they have not gained any clue to solving the problem so far, adding that only when they get a message from XINHUA Hong Kong branch can they contact the relevant department to know the truth.

When attending a public gathering, Zhu Yucheng, XINHUA Hong Kong deputy director, declined to confirm whether the two reporters had been arrested. He only said the matter will come to light later.

John Ashton, deputy adviser of the Hong Kong Government, said the government had not received any request from the magazine for help, so he declined to comment on the matter.

As far as this reporter knows, last Sunday the two reporters took a taxi from Fuzhou to the coast at Lianjiang. They intended to go to some small islands nearby and told the driver to wait. After waiting for half an hour, however, the driver could not see any trace of the two and left.

According to the Fuzhou hotel staff, the two, accompanied by relevant personnel, returned to the hotel to check out at 1130 last Monday.

The two reporters went to Xiamen and Fuzhou the previous Wednesday to cover how the military exercise had affected local life and to assess the situation at first hand.

The magazine did not apply to the local XINHUA for the visit this time. This reporter learned that from the last contact with the magazine last Saturday evening Wat was scheduled to leave for some small islands near Fuzhou to find out the situation there and return to Hong Kong the next morning.

Wat has worked with the magazine for three years. She married in April and recently tendered her resignation. A year ago she reported on the loss of donations for "Project Hope" in the magazine. This report angered relevant departments and she was criticized by name by pro-China media many times.

PRC Leaders Meet With Hong Kong Manufacturers**Li Ruihuan Urges Development**

*OW2308220995 Beijing ZHONGGUO XINWEN SHE
in English 1344 GMT 23 Aug 95*

[FBIS Transcribed Text] Beijing, August 23 (CNS) — The Chairman of the Chinese People's Political Consultative Conference, Li Ruihuan, met a delegation from the Chinese Manufacturers' Association of Hong Kong (CMAHK) this afternoon.

Li welcomed the delegation led by Herbert Liang, President of the CMAHK.

After learning that the delegation would further visit Northwest China, Li stated that Northwest China a virgin land with vast territory, rich resources and great development potential was growing into a new era for foreign investment. Li urged Hong Kong's far-sighted industrial and commercial businessmen to actively develop the area and put forward suggestions for the exploration and development of the area.

More Leaders Meet Delegation

*OW2308230995 Beijing XINHUA in English
1518 GMT 23 Aug 95*

[FBIS Transcribed Text] Beijing, August 23 (XINHUA) — Chinese Vice-Premier Li Lanqing met a delegation of the Chinese Manufacturers' Association of Hong Kong [HK], led by Herbert Liang, at the Great Hall of the People here today.

Li said that China has fixed its strategy for the development of the central and western parts of the country. The state plans to bring their advantages into full play

so that the gap between those places and the coastal areas will be gradually narrowed.

With abundant resources, the central and western parts of the country are where China places its hopes for future economic development, Li said.

Li expressed his hope that friends from Hong Kong's industrial and commercial circles would pay more visits to and invest in the central and western areas.

In another meeting, Wei Jianxing, a member of the Political Bureau of the Chinese Communist Party (CPC) Central Committee, and Secretary of the CPC's Beijing

Municipal Committee, told Liang that Beijing's work will further enhance its role as the country's political and cultural center by strengthening economic construction.

Beijing will not change its policies of reform, opening-up and attracting foreign investment, he promised.

According to statistics, by the end of July this year HK investors had set up more than 4,700 enterprises in Beijing, with a total investment of 8.8 billion US dollars. Hong Kong is Beijing's largest investment partner.

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